JPRS 80875

21 May 1982

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2272

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

JPRS 80875

21 May 1982

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2272

CONTENTS

INTERNATIONAL AFFAIRS

CEMA Collaboration in Production of Agricultural Chemicals Noted
(FIGYELŐ, 21 Apr 82) 1

Briefs
Polish-USSR Trade 3

CZECHOSLOVAKIA

February 1982 Economic Results Summarized
(Vaclav Cap; HOSPODARSKE NOVINY, 26 Mar 82) 4

Inadequate Spread of Khozyaschet Use Criticized
(Lubos Sobotka Interview; PRAVDA, 14 Apr 82) 8

'CPCZ Weekly' Complains of Industry's Performance
(Karel Hrouzek; TRIBUNA, 21 Apr 82) 16

'CPCZ Daily' Urges Smaller Administrative Staff
(Editorial; RUDE PRAVO, 27 Apr 82) 18

Daily Allays Fears of New Chemical Production
(LIDOVA DEMOKRACIE, 29 Apr 82) 20

'CPCZ Daily' on Problems With Crops, Farmers
(Editorial; RUDE PRAVO, 28 Apr 82) 22

GERMAN DEMOCRATIC REPUBLIC

New Law on Contracts Sets Responsibilities Sanctions
(Various sources, various dates) 24

Contract Court Chairman's Explanation,
by Manfred Flegel
Text of Law

Briefs
Schwarze Pumpe Accident Cause 74

HUNGARY

Official Describes Foreign Trade Bank's Business Policy
(Sandor Demcsak Interview; MAGYAR HIRLAP, 8 Apr 82) 75

Competition Prompts Trade Practice Problems
(Emil Varga; FIGYELO, 7 Apr 82) 79

Shortage of Parts Continues To Plague Agriculture
(Ivan Gador; MAGYAR HIRLAP, 31 Mar 82) 84

POLAND

Obodowski Urges Reduction of Dependence on West
(Janusz Obodowski Interview; TRYBUNA ROBOTNICZA,
22 Mar 82) 87

Basics of 1982 Socioeconomic Plan Published
(Alfred Musial; RADA NARODOWA GOSPODARKA
ADMINISTRACJA, 8 Feb 82) 91

New Measures for Economic Reform Reported
(ZYCIE WARSZAWY, 2 Apr 82) 101

Consultative Economic Council Formed,
Czeslaw Bobrowski Interview
New Version of Economic Report

Administration of Price Controls in Economic Reform Revealed
(Andrej Wojtyra; IDEOLOGIA I POLITYKA, Mar 82) 106

Health, Industrial Safety of Miners Criticized
(ZYCIE GOSPODARCZE, 28 Mar 82) 116

Problems, Prospects, Significance of Deep Sea Fishing Discussed
(Zbigniew Wyczesany; ZYCIE GOSPODARCZE, 7 Mar 82) 118

Argument for Price-Wage-Market Balance Published
(Jozef Popkiewicz; RZECZPOSPOLITA, 22 Mar 82) 123

Plans, Programs of Agriculture, Food Industry Outlined
(RADA NARODOWA GOSPODARKA ADMINISTRACJA, 8 Feb 82) 127

ROMANIA

Need for Technical Innovation in Standardization Activity
(Victor Calcan; ERA SOCIALISTA, 20 Feb 82) 137

Shortcomings of Economic 'Reform' Cited by Vienna Paper
(Erich Hoorn; DIE PRESSE, 20 Apr 82) 146

Importance of Development of Livestock Industry
(Emil Petrache; ERA SOCIALISTA,20 Feb 82) 149

YUGOSLAVIA

Birovljev Discusses 1981 Economic Data
(PRIVREDNI PREGLED, 25 Mar 82) 156

Proposals for New Pension Law Discussed
(Ranka Adum-Cicak; VJESNIK, 17 Apr 82) 159

Netherlands Finances Factories for Returnees
(Salih Zvizdic; VJESNIK, 4 Apr 82) 163

CEMA COLLABORATION IN PRODUCTION OF AGRICULTURAL CHEMICALS NOTED

Budapest FIGYELO in Hungarian 21 Apr 82 p 15

[Article by g.: "Cooperation of the CEMA Countries in Chemical Production"]

[Text] Chemical Fertilizers, Plant Protection Chemicals, Feed Supplements

The CEMA countries produce over 37 percent of the world's chemical fertilizers. The Soviet Union, the world's largest chemical fertilizer producer made an agreement in the early 1960's with Bulgaria, Hungary, the GDR, Poland and Czechoslovakia for building a phosphorite mine and enriching facilities near Leningrad, which at that time satisfied to a certain extent the phosphorous-containing raw material needs of the countries affected. Later another enterprise was also built at the same location, also within the framework of the comprehensive program of socialist economic cooperation. This has been providing a ammonium phosphate since 1976 to those participating in its construction, as a part of the "Phosphorite" combine.

In spite of all these things a number of problems in using chemical fertilizers are still awaiting solution. The shortage of chlorine-free potassium containing chemical fertilizers can be felt. These are necessary to increase the production yields of citrus fruits, baccates and tobacco. The difficulties in producing phosphate raw materials are slowing down the increase in the production of phosphorus-containing chemical fertilizers.

The deposits found in the CEMA countries are either difficult to reach or have low efficiencies (due to the ore's low phosphorus content) for which improved technical and technological solutions have to be worked out.

Pooling the research potentials may produce big profits here, too. For example, the Soviet and Romanian experts together worked out the new technology of producing phosphoric acid, and this shortened the time for performing the experiments by two years.

In the CEMA countries the practice is becoming increasingly popular that two or three related enterprises in direct production or technical relationship with each other, together solve their current problems. For example, the W. Ulbricht Leuna Works of the GDR, the "Azot" production association of Shchekino (Soviet Union), and the Litvinov Chemical Combine of Czechoslovakia

have a framework of working relationship, within which the German experts are working together with the partners of the "Azot" association on the problems of rejuvenating and modernizing the operating ammonia producing equipment. They are testing the Soviet catalysts in ammonia production. In Czechoslovakia they are working on improving the processes for ammonia and carbamide production.

The CEMA countries are paying constant attention to increasing the production of plant protection chemicals. This has almost doubled in 10 years. The growth rate of production was higher than the worldwide average. The bilateral relationships of the countries significantly contributed to these results. For example, an intergovernmental agreement was signed in 1976 between the Soviet Union and Hungary on agrochemical cooperation. This made it possible to create new production capacities for plant protection chemicals and chemical fertilizers, and to expand the existing ones. As a result of these, more Soviet chemical fertilizers are being shipped to Hungary in exchange for Hungarian plant protection chemicals. The Soviet-Romanian agreement on specialization and cooperation in the production of toxic chemicals, chemical fertilizers and other products will be implemented in 1982-1985.

There still remain many things to be done in the production of plant protection chemicals. The Interchim international branch organization has taken on the job of managing the expansion of the production of plant protection chemicals and to improve the selection. Within the framework of this, multilateral agreements were made to expand the existing capacities and to create additional capacities, as well as to specialize the production of plant protection chemicals. The fruits of this cooperation are already beginning to show. By 1980 the majority of the export of these products to the CEMA countries was made up of specialized shipments: 92 percent for Hungary, 70.7 percent for the GDR, and 59.1 percent for Czechoslovakia.

For the time being the supply of feed supplements to livestock raising is not satisfactory. A significant portion of the missing components has to be imported from third countries. The long range program of cooperation between the agriculture and the food industry is also working on solving the problem. Specialization of the production of chemical and biochemical food supplements is growing on the basis of the multilateral agreement signed in 1976.

This matter of key importance to livestock raising is being solved by means of combining the resources of the interested countries. Construction of a combine to produce vitamins A and E is planned in the Soviet Union. Equipment installation is already under way in a feed yeast plant in Mozir (Soviet Union). It will use highly purified liquid petroleum paraffins as raw material. Some of the equipment and materials for this construction came from the Europeam CEMA countries. Experts from Hungary, the GDR and Czechoslovakia participated in the technical design. The plant was designed to produce 300,000 tons of feed yeast per year, and a specified portion of this will be spent to the countries participating in its construction.

With the rational use of such an amount of feed yeast, each year an additional 300,000 to 500,000 tons of pork and 400,000 to 500,000 tons of poultry meat can be produced.

8584
CSO: 2500/216

BRIEFS

POLISH-USSR TRADE--A subject of great concern in many production plants was the decline in deliveries from the Soviet Union which occurred in February 1982 (28 percent below the deliveries in February 1981). This was a random swing and not a decisive one with regard to the over-all trend in the imports from that country. In March 1982 the deliveries from the USSR were higher by approximately 7 percent than in March 1981 and by 50 percent higher than in February 1982. It can be expected that as of April 1982 the supply situation of many industries has improved [sic; probably should have been: will improve]. At the same time, however, the disproportion between the amount of the goods exchange with the USSR intensified. In the first quarter 1982 the exports to the USSR amounted to somewhat less than 54 billion zlotys, and imports exceeded 69 billion zlotys. Sustaining such proportions for a longer period of time, of course, is not possible. Along with the activation of exports to capitalist countries, it is feasible, therefore, to recognize the activeness of exports to the USSR as an important tasks of the national economy. [Text] [Warsaw ZYCIE GOSPODARCZE in Polish No 16, 9 May 82 p 12]

CSO: 2600/590

FEBRUARY 1982 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 26 Mar 82 p 2

[Report by Dr Eng Vaclav Cap, CSc, Federal Office of Statistics: "February 1982"]

[Text] The preliminary data on the economic development and fulfillment of planned tasks during the first 2 months of this year indicate that, despite the substantially lower growth rate anticipated by the plan, the meeting of economic targets will be very demanding. It is all the more necessary even today to find everywhere, uncompromisingly and with emphasis, reserves which unquestionably exist in our economy.

This year's effort must concentrate on the conservation of energy, raw and industrial materials, particularly on those which we import, and on the restoration of balance in foreign trade relations. The economic growth in individual sectors must be subordinated to this basic requirement of the 1982 plan. The planned structural changes were not completely carried out in January and February, although the results point to the improvement of national economic proportions. Industrial production volume was 0.9 percent greater than in February 1981, but it declined 1.3 percent in the first 2 months (January 1982 had 1 working day less than January 1981). Daily industrial production, however, was 1.2 percent greater both in January and February. The engineering and electrical engineering industries, which occupy an important place in the economy and together with the woodworking industry and also light industry to some degree, are the main source of foreign exchange have as yet not gotten off to a good start to attain the specified goals. Production level in these industrial sectors in the first 2 months was below the annual growth rate anticipated by the plan: production increased 1.4 percent in the engineering industry (the annual plan specifies a 2.7 percent increase) and 3.3 percent in the electrical engineering industry alone. On the other hand, production declined 1.7 percent in the woodworking industry (the annual plan anticipates a 4.4 percent increase) and 0.8 percent in the light industry (the annual plan anticipates a 2 percent increase). The increase in average daily production in the engineering and electrical engineering industries during the first 2 months of this year exceeded the annual growth rate anticipated by the plan. Production must be increased in light industry, particularly in the

woodworking industry, where the 2-month increase fell behind the anticipated annual increase. Nor can we be satisfied with the situation in those sectors where production requiring large amounts of fuel, energy and imported raw materials is being deliberately restricted. In the chemical industry, adequate supply of raw materials made it possible to increase production more than the annual plan anticipated. In the building materials industry, the increased demand of the construction industry for building materials in the future months will make it possible to make up for the past shortfall in production which is to remain essentially on the 1981 level. Metallurgical production developed essentially in accordance with the plan.

Although relative electric energy consumption declined slightly in February, it was not enough to make up for the shortfall in January. The 0.9 percent increase in industrial production in February was achieved with 0.8 percent less electricity than in the same month a year ago, while the 1.3 percent decline in industrial production in January and February necessitated only an 0.8 percent decrease in electricity production. It is necessary to continue along this road. This will make the situation easier in brown coal and lignite output. Although their output increased 4.1 percent in February as compared with February 1981, the January production shortfall was not yet completely made up. The work of miners must be especially appreciated in pit coal output, where the plan targets have been met from the beginning of the year.

Neither the industrial nor foreign trade enterprises succeeded in gradually restoring balance with the capitalist states during the first 2 months of this year. Although the annual plan of exports to these countries was backed up by more signed contracts than a year ago, the necessary level was not reached. The deliveries at wholesale prices for exports to the nonsocialist countries were 0.4 percent greater during the first 2 months of this year than in the comparable period a year ago, but they still represent the weakest spot in the fulfillment of sales obligations by industrial enterprises.

Much better results were achieved by industry in deliveries for exports to the socialist countries, which registered a 9.3 percent increase. The foreign-trade plan is implemented in accordance with these deliveries. Together with the relatively high 13.5 increase in exports to the socialist countries during January and February as compared with the identical period of last year, imports from this area also increased 7.2 percent. On the other hand, exports to the capitalist countries declined 19.5 percent, while imports, in accordance with the planned trade balance surplus, declined 30.5 percent.

Industrial sales for manufacturing consumption and operation declined 0.8 percent during the first 2 months. Maintaining continuous and even deliveries remain a complex but urgent problem. Industrial enterprises lagged in deliveries to domestic trade. Although the annual plan anticipates a 0.3 percent increase, they actually declined 2.1 percent

during the first 2 months. Assortments and quality of goods on the domestic market still do not completely correspond to the demands of consumers or the possibilities of our production. The gradual reduction of a number of unfinished construction projects and pressure for their completion is reflected in the 8.8 percent increase in deliveries of machinery and equipment to capital construction. The situation was also affected somewhat by reassigning machinery, originally earmarked for last year's exports, to deliveries to construction projects in order to meet the less demanding requirements of investors.

In view of the intention to reduce the scope of capital investment projects, the annual plan anticipates a 4.7 percent decline in work performed by construction enterprises in comparison with 1981. Construction volume in February was 3.7 percent lower than in February 1981, but it remained 10.8 percent below last year's level during the first 2 months. The adaptation of the construction work structure to the requirements of the national economy remains one of the foremost tasks of the building industry.

As to the animal products, purchases of slaughter cattle were greater and those of slaughter pigs less in February than anticipated by the purchase schedule. Purchases of slaughter poultry continued according to the plan. Generally speaking, the purchase plan for slaughter animals was slightly surpassed during the first 2 months of the year. However, the targets set for purchase of milk and eggs were not met.

A gradual increase in efficiency represents the principal method for attaining this year's demanding goals and creating conditions for a more dynamic development of the national economy in the future. The preliminary data for January and February indicate that the last year's tendencies continue. Industrial enterprises fulfilled their production plans 99.1 percent, but the adjusted net outputs 99.5 percent. It is, therefore, possible to assume that they reduced production costs at a higher rate than anticipated by the plan.

After a substantial increase in purchases by the population in January which was motivated by the expected increase in the prices of some types of goods, retail trade turnover was smaller in February than a year ago. The retail trade turnover in the main trade systems increased 2.2 percent at current prices during January and February, including a 5.1 percent increase in food stores. It will be possible to analyze during the next few months to what extent the price revisions affected the structure of purchases on the domestic market generally and in individual commodity groups specifically. Together with the 1.6 percent increase in personal monetary incomes as compared with the January-February period of 1981, deposits on personal savings accounts continued to increase. They reached Kcs 169.5 billion by the end of February and were Kcs 3.1 billion greater than at the beginning of the year. Cash money of the population likewise increased and amounted to Kcs 46.2 billion by the end of February.

BASIC INDICATORS OF NATIONAL ECONOMY'S DEVELOPMENT IN JAN TO FEB 82
INCREASES OVER COMPARABLE 1980 PERI (IN PERCENT)

	Feb	Jan-Feb	State Plan[1]
Deliveries of the Centrally Administered Industry for:			
--investments at wholesale prices	—	8.8	11.9
--domestic market			
at wholesale prices	—	-2.1	- 0.3
at retail prices	—	-2.9	1.6
--export to socialist countries			
at wholesale prices	—	9.3	2.6
at f.o.b prices	—	8.8	4.7
--export to nonsocialist countries			
at wholesale prices	—	0.4	4.6
at f.o.b. prices	—	7.4	6.7
--other sales for industrial production and operations at wholesale prices	—	-0.8	—
volume of industrial production	0.9	1.3	0.6
average number of employees	0.8	0.8	0.3
labor productivity based on industrial production	0.1	-2.0	0.3
Construction			
construction work performed with internal labor resources	-3.7	-10.8	-4.7
average number of employees	-1.2	- 0.9	-0.9
labor productivity based on construction work	-2.6	-10.0	-3.8
housing units delivered by contracting enterprises	83.8	73.0	5.5
Procurement			
slaughter animals (including poultry)	-8.9	- 7.3	-9.5[2]
milk	-1.8	- 2.3	0.2[2]
eggs	-0.6	- 4.0	-0.2[2]
Retail Turnover			
of the main trade systems	-0.5	2.3	2.8[3]
Foreing Trade[4]			
export to socialist countries	4.2	13.5	5.0[2]
export to nonsocialist countries	-18.4	-19.5	7.5[2]
import from socialist countries	23.7	7.2	11.9[2]
import from nonsocialist countries	-27.7	-30.5	4.2[2]
Personal Earnings[6]	1.7	1.6	4.0[5]
of which: income from wages[6]	0.0	0.7	3.2
Actual cash expenditures[6]	0.0	1.5	4.3

FOOTNOTES:

1. Increases compared to expected 1981 results.
2. Increases compared to actual 1981 results.
3. All trade systems.
4. Data on actual results at current prices refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexport trade, exchanges and conditional trade transactions, etc.
5. Including estimated interest on loans.
6. Data based on treasury plan of the SBCS (CSSR State Bank).

10501
CSO: 2400/201

INADEQUATE SPREAD OF KHOZRASCHET USE CRITICIZED

Bratislava PRAVDA in Slovak 14 Apr 82 p 4

[Interview with Eng Lubos Sobotka, CSSR deputy minister of finance by Frantisek Zdobina: "Let Us Introduce Khozraschet in All Intraenterprise Departments"]

[Text] If somebody would take a survey on which terms in the economic vocabulary occur most frequently, "khozraschet" would unquestionably occupy one of the most prominent places. This is by no means an accident nor fad. Khozraschet is one of the economic categories of socialism, a necessary and the most effective method of management of the socialist economy. Its importance came to the forefront in our country in connection with the application of the "Set of Measures" which characterizes khozraschet as an integral part of planned management of economic organizations and which established the plan as the basis of its application. The improvement and wider application of economic tools such as prices, wages, financial and credit tools is firmly linked to khozraschet. There is an increasingly more consistent emphasis on the fundamental principle of khozraschet according to which the organization must finance its investments and other planned needs and focus on the qualitative aspects of the reproduction process.

The khozraschet relations in the CSSR have been developing on the VHJ [economic production units] and enterprise level since the end of 1980 according to the principles which the central organs were supposed to adapt to the nature and specific features of sectors, semisectors and branches controlled by them. We had an interview with comrade Eng Lubos Sobotka, CSSR deputy minister of finance, who is one of our prominent experts in these questions, on how khozraschet is gradually introduced in enterprises, where its use is most complicated.

[Question] Before discussing the progress in introduction of khozraschet in enterprises, I must ask you a question which is often raised: sometimes we seem to pretend as if the significance of khozraschet were discovered only

now. Yet, it is well-known that Lenin defined khozraschet as an economic category of socialism as early as the beginning of the 1920's, that the problems of khozraschet were coped with in the USSR a long time ago and that many progressive enterprises in our country have already mastered the fundamentals of khozraschet management. Have we not "missed the bus"--as is sometimes said--in this particular case?

[Answer] Khozraschet is--I will use a metaphor--a child of the socialist mode of production. It had also its period of infancy. Its development was retarded by the undifferentiated attitude toward the money-commodity relations and value categories; it was restricted by the administrative methods of management; it was very difficult to precisely define the relation between jurisdiction and responsibility of the enterprise and the central plan. We can already benefit from the Soviet discussions on the basic questions of relations between the plan and the market, and from the CPSU resolutions on this topic. We can make use of rich Soviet experiences and shorten the road of search, verification and application of general principles of khozraschet to our conditions.

It is true that some of our enterprises made progress in the khozraschet method of management. But the general atmosphere in the period of predominantly extensive development, when there was relatively enough of cheap raw and industrial materials and energy, was not favorable for khozraschet. The inputs of resources into the economy were so big and the growth rates were so high that the production costs were possible to reduce in rather simple ways. The plans also were dominated by this approach. In other words, the economic pressure was weak on the sphere which we describe as the khozraschet sphere. The intraenterprise management seemed not to be in need of khozraschet.

We dearly pay for that attitude today because young foremen have difficulty in understanding the khozraschet problems and some of them do not even know how to use it. The so-called thinking in indicator and volume terms still dominates many people's minds.

Checks have in fact revealed that khozraschet was an unknown quantity in one third of all enterprises. The situation, however, is changing...

[Question] In this context, I would like to ask you the next question. What progress has been made in introducing the intraenterprise khozraschet during the year since the principles went into effect and what is the attitude of enterprises toward it?

[Answer] The data, which were processed by the federal Ministry of Finance and Government Committee for Questions of Planned Management of the National Economy, indicate that the economic pressure brought about by the domestic and external conditions and extensive party propaganda have stimulated interest in khozraschet and its application as never before. In addition, the Department for Scientific Management of the Czechoslovak Scientific and Technological Society vigorously participated in explaining the fundamental problems of khozraschet and in exchange of experiences. A steadily increasing number of workers are becoming interested in its application.

Positive results have been achieved by the Brno Paper Mills, OGAK Partizanske, Iron Metallurgy VHJ and others--naturally I cannot name all VHJ and enterprises.

[Question] The principles of khozraschet in VHJ and enterprises state that the superior control organs and VHJ should apply the principles in relation to the subordinated enterprises and help them to cope with the problems of khozraschet management. Have the central organs and VHJ fulfilled this role assigned to them?

[Answer] Virtually all ministries modified the principles approved by the government committee and adapted them to their conditions. The CSR Ministry of Agriculture and Food published as illustrative aid a model for the principal branches of primary agricultural production. The Ministry of General Engineering adhered to the tradition of intraenterprise khozraschet in its sector.

[Question] Tradition has, of course, its advantages, but if it does not develop and enriches itself with new experiences, it may hinder progress.

[Answer] We, who are dealing with khozraschet, also prefer a model example because, with the necessary measure of generalization, it mirrors the contemporary conditions and needs.

[Question] As you have mentioned, an interim advisory task force for intraenterprise khozraschet has been working at the CSSR Ministry of Finance. Can the enterprises or individuals ask for its assistance, if they are at a loss?

[Answer] I would not like my next words to be interpreted as unwillingness, but the questions asked by the enterprises could be answered more promptly and especially more specifically, if the enterprises would contact the commissions in charge of the introduction of khozraschet which have been established in their VHJ or sectors. Moreover, these organs can charge the research institutes controlled by them with the solution of some open questions.

[Question] Let us now turn to the problems encountered during the introduction of khozraschet in enterprises. What does the task force of the ministry of finance and you personally regard as most difficult in application of khozraschet to the enterprise conditions?

[Answer] The most difficult problem of contemporary khozraschet practice is the transformation of enterprise tasks expressed in the indicators of the state (economic) plan into the tasks specified for intraenterprise departments.

[Question] In other words, the language of enterprise indicators must be rephrased in the language of shops and operations departments.

[Answer] Exactly. Before, the predominantly volume indicators were detailed --for the most part mechanically--by the higher economic unit for the lower. The volume indicators made this possible. The present situation, however,

is completely different. If we want to speed up the reorientation of our economy to the intensive development--this will be the characteristic feature of the 1980's--we must rapidly and purposefully use the indicators of economic nature which the "Set of Measures" also employs as principal tools. These indicators have a complex economic content of national economic nature, very often are specified as relative indicators based on the enterprise-oriented aspects.

The tasks, means and methods of management so defined must be transformed for the intraenterprise departments, and not as it still rather often happens mechanically detailed or simply transferred.

[Question] This means that the state plan indicators determining the enterprise tasks and duties must be broken down.

[Answer] Yes, but the breakdown must not result in using all components. It must be carried out in such a way that individual intraenterprise departments will receive only those components which people in the departments and centers will understand, which they will be able to affect and through them participate in management and its improvement.

To bypass the process of transformation is impossible and he who attempts to do so inevitably deforms the process of management. Many enterprises have already mastered the technique of the breakdown which is known as pyramidal breakdown. One of these enterprises in Vlnena about which PRAVDA has already published an article.

Although the pyramidal breakdown is not simple, it is not inherently difficult. The difficulty lies elsewhere--in the so-called "indicator thinking" on the part of some managers. What we need in the first place, however, is thinking in economic terms based on the comparison of inputs into and outputs from the intraenterprise departments, a comparison which is the basis of khozraschet.

[Question] It will be certainly good to mention in this context one of the ideas of professor Leonid Abalkin whose articles always represent an "event" in the economic world of socialism. He wrote that "probably the most important factor which hinders a successful advancement, the utilization of possibilities of the developed socialist society is the immense force of inertia. Persistence of traditions and habits...formed at the time, when the principal emphasis was on the quantitative and not on the qualitative indicators..." Professor Abalkin added that the conditions in which people work and obtain the plan indicators must be changed.

[Answer] It is precisely khozraschet particularly in its intraenterprise form which helps change these conditions.

Among the weaknesses in the application of khozraschet in our country is that the emphasis still is on economy only...

[Question] Somebody might point out in this connection that economy is demanded ever more loudly and vigorously.

[Answer] That is correct, economy is the order of the day. But economy alone is not enough. Enterprises must think also of the use value of finished products and outputs. This is a higher quality and value than economy alone. Or to put it differently, the function of khozraschet is broader and more extensive than economy incentives.

In this context I must emphasize that good intraenterprise khozraschet cannot be established without good norms. Among other khozraschet principles is that both the individuals and collectives must be financially interested in the overall economic results achieved by the intraenterprise departments. This linkage still has weak spots in many enterprises. To prevent misinterpretation: I do not underestimate the power of moral factors, but so long as they are not backed up by the financial incentives, even the best chosen word and argument lose their effectiveness.

[Question] Financial incentives contribute to the higher remuneration of quality work, but there should be also sanctions for inferior work. We got used to higher remuneration already a long time ago, but the penalties are very rarely imposed, although the existing regulations permit and order them.

[Answer] Proper conclusions are not always drawn from the economic results nor are the responsible persons called to account. But this must ultimately happen! Otherwise khozraschet would be only partly effective. Many enterprises have already realized that and are beginning to apply sanctions also at the economic centers if the delivery schedule is not adhered to and so on. This was the case for example of Heavy Engineering Plants (ZTS) Martin. We should discuss also other phenomena such as frantic effort to comply with the plan indicators and overlooking economic solutions, but this would plunge us into excessive details.

[Question] I suggest that we turn our attention to the preproduction stages. It is a well-known fact that the methodology in this area is being worked out rather slowly.

[Answer] Unfortunately, it is so. Khozraschet is being used only exceptionally in the departments of research, development and engineering, although it is necessary precisely there more than anywhere else to enforce the quality requirements, comprehensive effectiveness, increase in the use value...The reasons for it need not be emphasized. The quality of products, efficiency, use value are primarily and largely decided upon precisely in the preproduction stages. For illustration: if the design of equipment is obsolete, then the workers manufacturing its components cannot improve upon it even if their work is precise.

The government committee for questions of planned management of the national economy and the CSSR Ministry of Finance have already decided on some methodological prerequisites which are to speed up the introduction of khozraschet in the preproduction stages. A turning point, however, will take place only when the enterprises reach the conclusion that the road to significant intensification and efficiency, in which they will be also increasingly financially interested, must be exclusively based on the results

of technological progress. Some of our prominent enterprises have already realized that--among which I would like to mention in particular are Sigma Olomouc, the Klement Gottwald Iron and Engineering Works at Vitkovice, Industry of Small Leather Goods, Otavan Trebon and others.

[Question] The reasons why khozraschet is introduced in the preproduction stages with such difficulties is to be found--if we consider the problem in broader contexts--in the former orientation of our economy to the predominantly extensive development and the system of management corresponding to it. This general thesis could certainly be stated in more specific terms.

[Answer] I concur. The underestimation of the value aspect and of value tools of management was reflected for example in limiting the jurisdiction of the enterprise economic deputy manager in this area. This section does not perform a particularly active part in relation to the departments of preproduction stages at the present time. This is clear from the fact that the departments of preproduction stages do not receive such precise and incentive economic parameters which would affect their activity in the desirable direction. The economic departments seem to get accustomed to the restriction of their importance. This is clear from the fact that they are much more active in the formulation of short-term tasks in reduction of laboriousness and material costs, but are not able to handle the long-term value parameters of technological development.

I would like to sum up this section of our interview in the following quotation from the khozraschet principles: "The activity of all intraenterprise departments should be stimulated primarily in the direction of their contribution to efficiency and quality of enterprise work in accordance with the social needs...At the same time, it is necessary to differentiate the attitude toward individual departments and workers. In particular, it is necessary to make a distinction between the departments of development and engineering, technology and organization of production on the one hand and efficient production departments on the other..."

[Question] Already in the phase of their formulation, the principles of intraenterprise khozraschet anticipated--and this must be regarded as their merit--the simultaneous application of khozraschet all the way down to the lowest levels of management and brigade forms of work organization and remuneration. The brigade khozraschet is being used rather slowly. In the USSR, however, this form of work organization and remuneration is applied on a large scale.

[Answer] The draft of the principles for experimental verification of brigade forms of work and remuneration is ready. Its final version will be published soon. It is the common work of a large body of activists which was organized by the federal Ministry of Labor and Social Affairs together with the Central Council of Trade Unions. The principles stem from Soviet experiences and create conditions for developing brigade khozraschet also in our country. I would like to emphasize one thing, however: brigade khozraschet is part of intraenterprise khozraschet, and properly working intraenterprise khozraschet is the basic prerequisite for effective use of brigade khozraschet.

The introduction of brigade khozraschet will be facilitated by the fact that the enterprise plans are (or should be) detailed along the entire line to economic centers. Intraenterprise khozraschet has thus come close to the brigades.

[Question] Referring to what you have just said, I want to ask you about the plans for introducing khozraschet in the "upward" direction--in the central sphere. It is known that in the Soviet Union even the ministries operate according to khozraschet.

[Answer] The khozraschet system in Czechoslovakia begins at the VHJ level and after the adoption of principles which we have discussed will be introduced all the way down to the brigades. This system constitutes a unity and is intertwined and interlinked. The foremost task is to make this system operate in full scope. Naturally, we carefully study Soviet experiences and experiments. I have no right to say, how the situation will develop in the future because both general and specific conditions in our country are different (for example the position of some industrial ministries in the USSR is different from our country), but the "Principal Directions of Economic and Social Development during the 1981-1985 Period" do not limit use of khozraschet to certain levels of management only. The call for the "systematic increase in effectiveness of khozraschet methods in the drawing up and implementation of the plan." I deem it necessary to add that the khozraschet principles will have to be inevitably applied also to the socialist international integration groupings. It cannot be otherwise because--as we have already discussed--khozraschet is the economic necessity of the socialist economy.

[Question] In conclusion I suggest that you tell us what should be done to further improve intraenterprise khozraschet which is the main topic of our interview.

[Answer] The programs for further improvement of intraenterprise khozraschet must be formulated in differentiated ways which will take into account the type and size of enterprises and intraenterprise departments, and the extent to which they mastered and made use of khozraschet advantages. Some basic aspects of further course of action can be stated on the basis of experiences and findings of the Government Committee for Questions of Planned Management of the National Economy and of the interim advisory body for intraenterprise khozraschet:

--in the first place, the spread of intraenterprise khozraschet into all enterprise operations should begin and continue with the more precise definition of material and output norms, working out an effective methodology of operations planning, setting realistic targets and stronger financial and moral incentives;

--desirable is a broader exchange of experiences among enterprises and prompt utilization of everything that proved itself. Here the central organ and VHJ face extraordinary big tasks. They should organize more meetings of activists and seminars at which the problems of intraenterprise khozraschet will be examined and evaluated;

--in any case, the improvement of intraenterprise khozraschet should be included in the comprehensive programs of development of enterprise management as their inseparable and extraordinarily important part;

--extraordinary attention must be paid to the development of khozraschet in the departments of research, development, engineering and technological preparation of production, but also in auxiliary, service, supply and sales departments;

--although the principles of experimental verification of the brigade form work organization and remuneration have not yet been published, it is necessary to create conditions for their introduction;

--foremen, technicians and management personnel in general must be instructed as to the significance and purpose of khozraschet. It is necessary to explain to workers what khozraschet is about and to see to it that those sections of methodology of intraenterprise khozraschet which apply to them be simply phrased and understandable to a maximum degree.

But above all I would like to emphasize in conclusion again that a wider use of khozraschet is not a passing fad, but one of the ways and a concrete form of application of "Set of Measures for Improving the Planned Management System of the National Economy" (which mirrors objective needs and brings into harmony productive forces and production relations).

10501
CSO: 2400/212

'CPCZ WEEKLY' COMPLAINS OF INDUSTRY'S PERFORMANCE

AU281915 Prague TRIBUNA No 16 in Czech 21 Apr 82 p 1

[Karel Hrouzek article: "Balancing the Account"]

[Excerpt] Even though we have succeeded in achieving certain progress in the transition of the economy to the intensive path of development, we have no reason to be too complacent thus far. Changes in the right direction have unfortunately occurred mainly where--to put it truthfully--nothing else could be done. We have achieved fairly marked savings in fuels and energy and the consumption of materials has been reduced, but we cannot ignore the fact that in a number of cases this has not been the result of the rationalization efforts, but of simply reducing inputs. We cannot really speak about more marked changes in production, in its structure and in the organization of work. At the same time what is involved in these cases are the decisive prerequisites for the further successful development of the national economy. For this reason--after assessing the current situation--a slower pace of development was stipulated in this year's plan and the main emphasis was put on the qualitative aspects of the development of production, on further restricting the volume of [capital] investment (even though the more than a quarter of the national income going into building projects and installations constitutes a great extent of investment), on putting projects into operation as scheduled, on strict practically and thriftiness as regards imports and on raising the export capability, particularly of the engineering sector.

The statistical data on the fulfillment of tasks in the past 3 months show that in addition to enterprises which are capable of coping with their tasks, there are still many which lag far behind their potential; and that even despite the fact that an intensive development of the economy is our most important current task. It simply shows that a number of ranking personnel interpret this necessity in their own way, that they complain more about this or that shortcoming outside their organization, but pay less attention to shortcomings within the enterprise or plant. In interviews with ranking personnel, journalists are often informed about dozens of reasons why the enterprise needs this or that, but hardly ever about what should be done for work intensificaiton. Instead of searching for ways to make production more economic, easier ways are being sought. For example, the Agrostav enterprise of Pardubice is "willing" to erect hothouses near the Opatovice powerplant only if the investor--Sempra--will supply diesel oil from its own allocation for the entire job. Can there be a more typical example of how enterprises are circumventing the necessity to search for reserves?

We could present more cases like this one--also from other spheres of the national economy. Therefore it is no wonder that in the first 3 months of this year the volume of construction work, compared with the same period last year, decreased 9 percent. Of course, a part of that figure--4 percent--is the result of the lower dynamism of investment. But the plan counted on that. The remaining 5 percent, hiding projects not finished to the planned extent, are to be blamed on the construction sector's old ills, its inadequate adaptation to new conditions. An objective excuse cannot be found for the drop in work productivity either.

The more difficult conditions under which certain raw materials are being acquired can certainly project themselves also into industrial production. But only into one that has no internal reserves as regards their utilization--and a similar enterprise hardly exists. On the contrary, and this has been stressed many times, our industrial production still consumes a disproportionately raw materials, work and energy intensive. Therefore it is difficult to find arguments which would justify the fact that in the first quarter the volume of industrial production did not achieve the envisioned pace of growth, particularly thanks to the drop of the production volume of enterprises in the Slovak Socialist Republic. Glass, ceramics and China manufacturers, the rubber and textile industires and branches of the chemical industry and crude oil processing fulfilled their tasks. The timber-processing industry and the heavy and general engineering did not. And these are sectors whose share in the further development of the national economy and covering foreign trade needs should be decisive. In more than a quarter of industrial enterprises, they should profoundly ponder the poor fulfillment of production tasks, since their lag logically jeopardizes the entire production chain, which has to be smooth to fulfill the economic and social progran of our society' development.

CSO: 2400/224

'CPCZ DAILY' URGES SMALLER ADMINISTRATIVE STAFF

AU281208 Prague RUDE PRAVO in Czech 27 Apr 82 p 1

[Editorial: "Only an Expedient Administration"]

[Excerpts] Our attention is yet again focused on resolving the problems that are being caused by the growth of bureaucracy, as it has so many times in the history of our building of socialism. A number of measures adopted in the preceding period to reduce the number of employees and simplify administration have not yielded the expected results. A large number of directives, regulations, diverse reports, statements and accounts, frequently of very low standards and often not even functional, and on top of that reducing the effectiveness of management, still remain valid. As proved by the dozens of RUDE PRAVO readers' letters, their number is increasing. Since the cause of the undesirable phenomenon has not been eliminated, the number of people permanently working in administration is also not being strikingly reduced.

The increasingly complicated management and decisionmaking processes in some places make it necessary to increase the number of employees in administrative activities. But is this really necessary? The fact is that particularly the supra-enterprise management is overstaffed. And why? Workers at higher levels are processing thousands of various documents needed for operational management without being able to make decisions for their subordinates. They are thus doing useless superfluous work. Every year, thousands of new regulations are created in the central agencies. In the subordinated links of this management the people cannot only no longer manage to implement them in their work, they often cannot even manage to thoroughly peruse them. At the same time one single worker in a federal body can make, with one single instruction, more work for 1,200 workers on lower management levels. But this fact by itself merely causes a certain kind of economic loss. Operational interference from above, together with the abundance of factors which are not intrinsically interlinked, is constantly narrowing the scope needed for raising the people's own responsibility. Consequently, this finally leads to a loss of initiative in enterprise management.

The first partial result of the gradual rationalization of management that is being prepared was last year's 5 percent reduction in the number of state administration employees. This modest act has so far only limited the expenditures, without yielding new manpower resources for the sphere of material

production. That is why the government bodies have approved an economy program valid up to the end of the Seventh 5-Year Plan. Together with a number of other economic contributions, the fulfillment of this program should establish conditions for limiting the number of employees in the sphere of management and administration by releasing a total of 60,000-70,000 workers.

These are neither exaggerated nor unrealistic figures. Since the middle of the sixties, the number of workers in the industrial enterprises of the Czech Socialist Republic alone dropped by almost 50,000 and during the same period the number of technical-economic workers increased by more than the percentage mentioned.

The introduction of automated management systems also in the field of manpower, wages and social affairs is aimed at rationalizing the demands placed by management on administration. We are also preparing to simplify the system of remunerations from the viewpoint of demands placed on administration, also to simplify pension regulations. We are also working on other measures aimed at simplifying regulations and the administrative agenda connected with them, and thus at saving on administrative staff.

The basic measures must come from the center and be transferred to the other links of the management sphere. Without simplifying the administration it is impossible to establish effective prerequisites for the necessary reduction of the number of people in lower bodies. But those "below" need not wait for things to come to them; it is both possible and desirable for them to show more initiative. We must bear in mind that the excessive size of administration was in some places caused by nonadherence to the demands of cadre prerequisites, and by entrusting work to less qualified workers; the difference in efficiency was made up for by the large number of such workers.

A number of tasks also awaits the cost-accounting [khozraschet] sphere in improving the structure of Czechoslovak industry. For instance, an economic production unit with more than 25,000 employees has 16 independent enterprises with more than 100 directors and deputy directors who have working for them more than 100 female and male secretaries. This is too large a luxury, which our economy cannot afford in the future.

The set of measures, which makes workers and executives interested in results, must necessarily also affect the administrative sphere, by the very same rules of material interest in results. This is just, this is socialist and, above all, this is most imperative.

CSO: 2400/224

DAILY ALLAYS FEARS OF NEW CHEMICAL PRODUCTION

AU301330 Prague LIDOVA DEMOKRACIE in Czech 29 Apr 82 p 3

[Petr Rampir article: "A Top World-Standard Enterprise on the Outskirts of Sokolov"]

[Summary] A new unit for the production of acrylic acid, based on the principle of direct oxidation of propylene with the help of a catalyst, is being built on the outskirts of Sokolov. It is the first production unit of its kind not only in the CSSR and the CEMA countries but also in Europe. The technology, which represents the current top world standard, has been developed by the Japanese Mitsubishi concern, which is also the supplier of the equipment.

Yet the secrets of organic chemistry do not evoke only people's respect but also some misgivings. "Shortly after constructed started, the local tom-toms began to busily perform their act and to surreptitiously spread 'utterly reliable' reports in the area; acrylic acid was gradually assuming the appearance of a nine-headed dragon destroying all living things--far and wide no vegetables would grow; all fruit trees would disappear from the gardens; when the Japanese arrived and saw that the production unit was to be built on the banks of a river, they allegedly began to wring their hands because in Japan any such production is located at least 30 km away from any human habitation, and so forth.

"To tell the truth, if someone was wringing his hands it was chiefly Eng Harastej, head of the section preparing the production of the acrylic acid, and, together with him, most specialists of the Sokolov chemical works, chemists who simply know what acrylic acid is all about, because they must now--next to their normal work--organize regular lectures and explain to the people what the mysterious acrylic acid actually is, how it behaves, what its properties are and so on. However, it seems that the greater a nonsense is, the more tenaciously it survives and all the rumors thus keep coming back like a bommerang."

The actual situation in Japan is documented, by the way, by an air photograph of the petrochemical complex in Yikkaichi, which contains the production of acrylic acid. Only a road, which certainly is not 30 km wide, separates the complex from a residential area. Acrylic acid is simply a common chemical substance, similar to those which are nowadays routinely used in industry. "Naturally, it is an acid and thus a highly aggressive substance and it is

therefore necessary to treat it as such. Yet this is true of virtually all acids."

The final product of the Sokolov chemical works will be acrylic dispersions, a product widely used in the building, textile but also food industry. So far we have had to import them. The planned annual production of 20,000 tons of acrylic acid should satisfy not only our domestic need for the product but should also permit exports. Production should start by mid-1983, but even this project has not avoided certain delays.

"The exacting and difficult nature of the project lies, above all, in the protection of the environment. This was stipulated as the fundamental condition when the decision on this investment project was made." A subterranean sewer system picks up all by-products--no matter how slight--which are then converted at a temperature of 900 degrees into carbon dioxide and water. The Japanese company guarantees that the emissions will not exceed 1 mm of substance per cubic meter of air; should this prove not to be the case, it can be penalized.

"The new production of acrylic acid will thus in no case aggravate the present living environment in the Sokolov area, which is already rather affected owing to electricity powerplants. On the contrary, it will contribute in a way to rengerating it. Once this production starts, the production of calcium carbide in the old production plant will be discontinued. This will put an end to dozens of tons of pollutants being emitted by the smokestacks into the surrounding atmosphere."

CSO: 2400/224

'CPCZ DAILY' ON PROBLEMS WITH CROPS, FARMERS

AU291438 Prague RUDE PRAVO in Czech 28 Apr 82 p 1

[Editorial: "Concern About Crops"]

[Excerpts] The spring field work, sowing and care for the winter crops are in full swing.

At present--understandably--the main attention is focused on cereals, including corn.

With the exception of isolated cases in the higher lying areas, the spring crops are in the ground. Despite the not exactly most favorable weather, overwhelmingly marked by cold and definitely not by plenty of rainfall, our farmers have done much for the best possible preparation of this year's harvest.

The same applies to the care for the winter crops which, particularly in the submountaineous areas, have been fairly unfavorably affected by the winter. Some winter crops had to be plowed under and replaced by spring sowing. We must remind those who are lagging behind in their spring sowing that last year it was mainly the failure to observe the stipulated area for cereals that caused the loss of almost a quarter of a million tons of grain.

Ensuring enough bulk fodder is also a part of the spring work. It is regarded--and rightly so--as a part of the solving of the grain problem. The replacement of areas of fodder crops on arable land which suffered through the winter, is causing considerable worry to farmers. The cooperatives and farms affected are seeking to carry out the substitution by ensuring a corresponding structure of 1-year fodder crops and by a more effective mobilization of all untapped potential, especially as regards a better utilization of meadows and pastures.

Another crop which requires extraordinary attention is sugar beet. Already at the time when the plans were prepared, some agricultural enterprises showed little enthusiasm for growing it. They were making excuses, pointing out the poorer results in recent years, but also the confusion which existed in the course of the sugar beet procurement last autumn. In some places they have even begun to contemplate ridding themselves of the worries connected with

sugar beet growing, because--allegedly--in the conditions of the perfected system of the planned management, this is not a crop that is a "mandatory indicator, planned from the center." Fortunately, the overwhelming part of these speculations have been successfully stamped out in time. The major part of the planned sugar beet area has already been sown.

Farmers also must not ignore the care for other crops, especially potatoes and vegetables. Much remains to be done. Particularly the potato growers in higher lying areas still have many worries in view of the cold weather.

CSO: 2400/227

NEW LAW ON CONTRACTS SETS RESPONSIBILITIES, SANCTIONS

Contract Court Chairman's Explanation

East Berlin WIRTSCHAFTSRECHT in German Vol 13 No 2, Apr-Jun 82 pp 66-71

/Article by Manfred Flegel, deputy chairman, Council of Ministers, and chairman, State Contract Court: "On the Enactment of the New Contract Law." A translation of the official text of the Contract Law of 25 March 1982 follows this article/

/Text/ In the unity of peace policy, economic and social policy decided upon at the Tenth SED Congress the German Democratic Republic has available a strategy of social development consonant with the internal and external development conditions of the 1980's. It enables our socialist German state fully to meet its responsibility for the assurance of peace and the strengthening of the positions of socialism in the center of Europe, arising from our unswerving alliance with the USSR and as a firm element of the socialist community and thereby permits us consistently to pursue our policy aimed at the welfare of the people.

Our struggle for the successful realization of this social strategy focuses on the further improvement of our national economic capacity. As Erich Honecker reaffirmed at the conference of the SED Central Committee secretariat with the first secretaries of kreis leadership organizations on 12 February 1982, this required to throughout improve economic efficiency and the cost-profit ratio.[1] Our approach has been staked out by the 10 key points of the economic strategy for the 1980's, adopted with the report of the SED Central Committee to the Tenth SED Congress. They represent a complete program of intensification. The 1981 economic plan achieved notable advances toward its realization. These are all the more important because in 1980 already qualitatively new basic proportions had been established between economic growth and production consumption. Nevertheless our socialist state is only at the beginning of the implementation of the great task to organize the national economy fully consonant with the challenges of the 1980's.

Among the indispensable prerequisites for the successful pursuit of the economic strategy of the 1980's is the consistent realization of the unity of plan, balance and contract. The more economic growth depends on the progress of intensification, the more important will it be for the basic structure of cooperation relations set by the state plan and its core, the balances, to be so organized and realized by the economic units with the aid of business contracts, that they contribute to the greatest possible extent to the improvement of plan appropriateness and the efficiency of

economic operations. The growing material and cultural needs of our citizens and the--in the long term also--more complex sales conditions on foreign markets as well as the speedier adoption of scientific-technological advances, the improvement of the continuity of the production process, the reduction in stock intensity and other efficiency factors require us steadily better to guarantee the conformity with economic requirements of the precise assortment, the quality features, the life and other realization conditions of the products and services to be made available on the basis of state plan decisions. At the same time the planned cooperation relations between combines and enterprises acquire steadily greater importance for the economy as a whole by reason of the concentration and specialization of production consequent upon scientific-technological progress. Following upon the conclusion of business contracts, the contractual obligation as well as the material responsibility of the economic units for the realization of the cooperation services stipulated in state plans and balances represent important factors for assuring compliance with the plan. At the same time the obligation to arrive at a punctual and complete conclusion and the orderly fulfillment of business contracts stimulates the utilization of available reserves. These two aspects of the business contract's organizing role are all the more significant the more complex the cooperation relations and the more necessary the exact coordination of the performances of economic units involved in the preparation and accomplishment of a task. The transition from single innovations to complex innovation processes, the increase in the proportion of rationalization investments or the necessity to cut construction times are examples showing that, alongside the advance of intensification, it is necessary from this aspect also to "develop the contract as an active tool for the accomplishment of the assignments allocated by the plan and the balances."[2]

The law taking effect on 1 July 1982 on the contract system in the socialist economy (contract law) aims to organize the necessary coordination of the law in effect now with the tasks to be accomplished in the further organization of the socialist society in the GDR and to create, in particular, the legal prerequisites for the more and more effective guarantee of the unity of plan, balance and contract consonant with the requirements of intensification. The focus here is the new version of the legislative principles from which the economic units must derive their orientation at the conclusion and fulfillment of business contracts, and which also represent the basis of the verdicts of the State Contract Court. In accordance with the requirements of the qualitatively new stage of national management and planning initiated by the development of high-capacity combines, the new contract law provides the first legal regulation of their tasks relating to the conclusion and fulfillment of business contracts. In the same context the relation of plan, balance and contract was also further organized with the aim of improving the plan compliance of cooperation relations with the simultaneous assurance of the necessary flexibility in the national economy. The new law also includes many of the legal standards introduced by the decree of 26 January 1978 for the guarantee of the unity of plan and contract at the conclusion and fulfillment of business contracts.[3] Some of these regulations were more precisely defined in accordance with the experiences gained in the course of their application. This confirms the correctness of the decision to have this decree take effect as a kind of "intermediate step" before the new version of the contract law. Lastly the law includes several new individual provisions arising from the experiences of satisfactorily operating combines and enterprises as well as from findings of the operation of the State Contract Court.

Taken over at the same time by the new law were all those provisions of the old law and its legal predecessors that have shown their worth and meet the needs of the future. This applies in particular to the primacy of the plan vis-a-vis the contract, a principle already promulgated by the contract decree of 6 December 1951 and the subsequent first implementing regulation of 21 March 1952. The new contract law also continues to recognize some principles--in effect for more than 30 years--such as the contractual obligation indispensable for guaranteeing the unity of plan, balance and contract, the principle of the real fulfillment of contracts and the principle of material responsibility. Also retained was the majority of individual provisions relating to the conclusion and fulfillment of business contracts.

The law is based on the following three main considerations relating to the perfection of the contract law:

I. Strengthening Democratic Centralism

The strengthening of democratic centralism is served in particular by the regulation of the duties of state organs and combines in the conclusion and fulfillment of business contracts, directed to the even closer combination of central state management and planning with the responsible operation of economic units as well as the creative initiative of the working people. In accordance with the principle more emphatically to concentrate central state management and planning on basic issues, this definition of duties presumes that central state organs do not normally deal with individual cooperation problems but are bound to guarantee that the work of their subordinated combines and state organs conforms to economic requirements when business contracts are concluded and fulfilled. The law therefore directs the central state organs mainly to ensure the observance of legal regulations and their active utilization for the nationally effective cooperation of economic units in the organization of cooperation relations. At the same time they are obligated to provide the conditions enabling their subordinated combines and state organs in good order to meet their obligations and accomplish their tasks for the assurance of the unity of plan, balance and contract. To be specially mentioned among these conditions is the duty--provided for in the law--in good time to issue state plan decisions in accordance with the legal regulations on planning(balanced and coordinated) so that the economic units will be able efficiently to conclude and carry out the contracts. Central state organs are to issue direct decisions on the conclusion and fulfillment of business contracts only if very important problems are involved, and the subordinated combines and state organs are unable to resolve these on their own.

The settlement of the rights and duties of combines assumes that essential cooperation tasks can be accomplished efficiently only when accompanied by the careful observance of the needs and opportunities arising from the development of the combine as a whole. Corresponding thereto is the combines obligation to coordinate the tasks arising in the preparation and fulfillment of the plans with other economic units and superior organs of economic units and, to that end, conclude the necessary coordination contracts. In conformity with their status as the "basic units of management in industry, construction, transport and communications"[4] the combines are authorized to agree in the business contracts concluded by them that the rights arising from these contracts are properly exercised by the designated combine enterprises, and that these latter have to meet their obligations. Particularly important is the principle that combines and combine enterprises must exploit all opportunities offered by the standardized reproduction process in the combine to meet their

obligations. This includes the requirement for the combine to use its full potential to assist combine enterprises in the fulfillment of endangered contracts or have these contracts carried out by other combine enterprises. At the same time the law takes into account the fact that the combines must meet their responsibilities while observing the tasks, rights and duties of the combine enterprises, such as arise from their status as independently planning and reporting economic units. This is reflected mainly in the fact that the duty to conclude performance contracts is basically addressed to the combine enterprise. Accordingly all rights and duties of the contracting partners set out in the law refer directly to combine enterprises, unless specific provisions decree otherwise. This explains why the law does not include a special section to deal with the tasks of combine enterprises.

In conformity with the decree of 8 November 1979 on state combines, combine enterprises and state enterprises[5] the law states with respect to the organization of cooperation relations within the combines that the general directors must arrange these relations by way of a cooperation order, all the while observing the principles of the contract law. That includes the right of general directors to settle cooperation relations among combine enterprises by issuing a decision. This provision makes it possible fully to take into account the development process of the combine as well as the differences between them. An exception to this basic provision are the relations between the combine enterprises and foreign trade enterprises of the various combines. To assist the consistent implementation of foreign trade tasks, the third implementing regulation on the contract law establishes--in recognition of the special status of these foreign trade enterprises as doubly subordinated economic units --that cooperation relations between a foreign trade enterprises included in a combine and other combine enterprises must be organized by business contracts. No provisions deviating from the legal regulations on exports and imports may be made in the cooperation order unless the competent state organs have agreed otherwise. The foreign trade enterprise subordinated to a combine and export or import enterprises are entitled to apply for a hearing by the State Contract Court if disputes relating to the fulfillment of business contract need to be settled.

Affected by the goal of strengthening democratic centralism also is the law's organization of the relation between plan, balance and contract. A condensed reflection of this fact is the principle governing the total arrangement of the law and all the various standards, that business contracts must be concluded on the basis of state plan indices and other state plan decisions. This target is also served by the regulation of the function of business contracts in the socialist planned economy and the tasks arising therefrom for the economic units in the organization of their cooperation relations, the precise definition of the bases of contract conclusion, the provision that the preparation and implementation of business contracts must contribute to the economic security of national defense and the fulfillment of economic tasks to ensure internal security and order, that the planned need of the armed organs must always be met by volume, assortment, quality and delivery date as well as the regulations on the conclusion of business contracts relating to priority services.

The special management measures regulated in the law represent an important improvement of earlier legal regulations. To some extent the assurence of the socialist planned economy's necessary ability to react confronts state organs and combines

with the need to conclude business contracts for the accomplishment of tasks that were not yet foreseeable at the time the state plan targets were issued. Whenever the respective performances cannot be achieved by way of plan excesses, this will require the amendment or cancellation of already concluded contracts. If the decision on amending or canceling contracts is left to the enterprise obligated to provide the performance, the danger of wrong decisions arises, because that enterprise may not have the necessary national overview. For that reason the duty is imposed at the time of the issue of the instruction to conclude other contracts also to decide how to arrive at the agreement of plan, balance and contract. The law further takes into account the fact that even in the future measures of operational control will be required. In this context it is clearly stated that binding decisions resulting from temporary operational controls may be issued only on the basis of legal regulations or the applicable directives of the Council of Ministers. This inhibits infringements of the state order by subordinated organs. Further established is the binding effect of justified measures of operational control on the economic units and the latters obligation to conclude contracts on the performance assigned as well as to amend or cancel existing contracts that cannot be properly carried out by reason of the decisions issued. It also means that decisions of operational control do not automatically establish contract relations or amend or cancel existing relations.

Other new regulations aim to increase the authority of the state plan by using business contracts more emphatically as a tool for its skilled preparation and execution. It is a crucial condition here for business contracts to be concluded as early as possible. The contract law therefore states for the first time that the provisions made as the result of plan coordinations in coordination protocols represent a mandatory base for the conclusion of business contracts. Economic units are obligated to conclude contracts, provided the other conditions regulated by the law with regard to the conclusion of contracts are present. The achievement of the earliest possible contract conclusion is also served by the provision that the issue of special legal regulations may make subject to contract penalties the infringement of pre-contractual duties (such as the obligation to conclude business contracts by a specific date). Also aiming at the greater use of business contracts as a tool for the skilled preparation and execution of the state plans are the differentiated regulations on the inclusion of business contracts in subsequent plan decisions. In conformity with the Tenth SED Congress statement that the five-year plan is increasingly proving a main instrument of economic management,[6] legal regulations now provide that the long-term business contracts concluded on the basis of the state plan targets of the five-year plan must be incorporated in the annual plans and annual balances unless special decisions by the Council of Ministers or central state organs provide otherwise. All other business contracts are governed by the provision that the economic units must incorporate the contracts concluded in their plan drafts and plans and must fulfill the plans appropriate to the contract. These regulations orient to the greatest possible stability of business contracts concluded but, at the same time, take into consideration the necessity of divergent decisions in the national interest.

Finally the right of the economic units to request their combine or superior organ to issue the decisions and coordinations needed to ensure the unity of plan, balance and contract insofar as the law provides for such decisions and coordination obligations, represents an important aspect of the organization of the relation of plan, balance and contract, directed to the strengthening of democratic centralism. This

provision is designed to affect the guarantee of the conditions required to enable the economic units with a great sense of responsibility to accomplish the tasks, rights and duties assigned them by the conclusion and fulfillment of business contracts. The decision demand vis-a-vis the regulation contained in the VO /decree/ plan-contract is therefore modified methodologically in order better to adapt it to the existing lines of management.

The strengthening of democratic centralism is indivisibly linked to the increasingly broad involvement of the working people. The law states the personal duty of managers together with the labor unions and other social organizations to guarantee the working people's initiative and readiness to perform to be directed to contract appropriate plan fulfillment and, by moral and material stimulation, oriented to the achievement of the greatest possible social profit. Managers must therefore explain to the working people the national importance of contract duties and ensure that the breakdown of the enterprise plan to work collectives is combined with the notification of these obligations. Also regulated is the duty of managers of economic units in their reporting to the working people to inform them about the conclusion and fulfillment of business contracts.

II. Perfection of Legal Standards in Accordance with the Requirements of Intensification

Usually it take more than a year to carry out the measures for the accomplishment of the 10 key points of our economic strategy for the 1980's explained by Erich Honecker at the Tenth SED Congress, especially the realization of the fundamental development lines of science and technology, the greater refinement of the available raw materials and fuels as well as the assurance of an export assortment profitable in terms of foreign exchange. Despite the concentration of production achieved by the large-capacity combines this often required the collaboration of several economic units. The cooperation relations arising therefrom can be efficiently organized only by long-term contractual agreements. At the same time we have learned from experience that, due mainly to the dynamism and variability of economic processes and the ensuing aggregation extent of long-term plan decisions, economic units are often able to determine the performance to be achieved and its realization conditions only at a later point with the accuracy needed for the conclusion of long-term performance contracts. Referring back to the respective experiments, the new contract law therefore developed the basic model of a coordination contract that includes both the coordination of management and planning measures and the preparation of future performance relations. Such a coordination contract conforms especially to the responsibility of combines for the long-term organization of their cooperation relations with anterior and subsequent economic sectors. The duty to conclude coordination contracts has been expanded by comparison with the plan-contract VO insofar as the decisive factor for the contract is not the wish of one partner involved in plan coordination but the economic necessity of long-term intensive cooperation. The textual organization of the coordination contracts essentially depends on the purpose of coordination. The implementing decree on the contract law include suggestions for the textual organization of coordination contracts in the most important cases.

The law also refines a series of regulations concerning the conclusion and fulfillment of performance contracts in accordance with the requirements of intensification. To be particularly emphasized are the following:

-- In realization of the principle that the economic units must use the business contract to organize the close cooperation needed for the planned exploitation of the opportunities offered by the scientific-technological revolution, the duty to give priority to the conclusion of contracts on performances for the fulfillment of the state plan science and technology was fixed in law and the obligation of suppliers more precisely defined to conclude contracts in accordance with the demands on the end product arising from scientific-technological advances. Together with the principle that business contracts once concluded must be included in the plan drafts of the economic units, this establishes legal claims which may effectively help speed up scientific-technological progress. The faster realization of scientific-technological progress is also served by the basic provisions included in the law with respect to general and main contractors. Other important regulations regarding the encouragement of scientific-technological progress are included in the implementing decree on the contract law. That applies, in particular, to the extensive and comprehensive regulation of licensing, oriented to the broadest possible utilization of available scientific-technological results in the national economy and also deals with the licensing of processes relating to the construction of plant and other investments.

-- To help lower production consumption, especially for the enforcement of the best possible materials and energy conservation, the law includes the principle that, within the scope of state plan and balance decisions, the economic units have a claim to the conclusion of contracts only insofar as they are able to prove that their stated need is warranted from the aspect of the national economy. The efficacy of this regulation largely depends on the use made by the performing combines and enterprises of their right to require their partners to prove that they have ascertained their needs on the basis of state plan decisions, the legal regulations on the use of materials and the state normatives and enterprise norms of materials and energy consumption as well as of stockkeeping. The enforcement of the greatest possible materials and energy conservation is also served by the obligation of economic units promptly to notify their partners if the particular demand ceases. More precisely defined and developed by the law at the same time are the tried and tested provisions concerning the legal consequences of the cancellation and amendment of business contracts. Contract penalties and damages in the case of contract cancellations, for example, must be paid only if the cancellation was necessitated as the result of neglect. In this connection we must emphasize that neither a contract penalty nor damages are payable in the case of obligations to return funds that are part and parcel of the competition movement and contract cancellations in connection with this. An exception are those cases where the return of funds was initiated by control organs or due to deliberately excess purchases. In evaluation of the experiences gained by the "bank of reserves" set up in some districts and other types of the efficient use of available basic assets, the law obligates the economic units to offer for utilization by other economic units their temporarily idle basic assets and conclude utilization contracts with them. In future central state organs, combines and local state organs may invoke this legal duty in the organization of measures for the efficient utilization of available basic assets.

-- In accordance with the principle that the economic units must so buttress the tasks assigned by state plan decisions by way of business contracts, especially relating to volume, assortment, quality and delivery dates, as to guarantee appropriate and smooth flowing production, the law states that the economic units may

normally carry on the production of goods only if a delivery contract is in effect. Output without contract (with the exception of special cases sanctioned by law) requires the prior approval of the combine general director or manager of the superior organ. The latter must combine his approval with measures aimed at safeguarding sales. The same goal is served by the more precise definition of the provisions relating to the assurance of the best possible quality of products and services.

-- To assist the increasingly smooth flow of production the law includes the provision that the performance contracts must be concluded for the entire period required for the preparation and execution of the performance. Basically economic units must conclude contracts on performances to be supplied at variable dates and periods for the period of the annual plan. Enterprises and combines are also obligated to agree monthly or shorter performance terms. In the interest of improving the smooth flow of export deliveries and the receipt of export earnings, the third implementing decree on the contract law includes the provision that agreements on performance must be organized within the period agreed in the export contract.

Cooperation by economic units for the common accomplishment of tasks has turned out to be a useful approach to the improvement of economic efficiency; frequently local state organs are also involved in such cooperation. That applies especially to regional rationalization. The law therefore includes basic provisions on cooperation in associations which do not require competence to act in order to accomplish their tasks.

III. Consolidation of Socialist Legality

Erich Honecker's Central Committee report to the Tenth SED Congress states: "We ascribe the greatest importance to the strict observance of those laws that concern the operation of enterprises, combines and economy managing state organs for the efficient management of the economy, oriented to the growth of efficiency and the defense of public property."[7] The new contract law is one of these laws. The chief responsibility for its strict observance lies with the ministers and the managers of other state organs, the general directors of combines and managers of enterprises. The law presumes that the managers, in their capacity as legal representatives of the organs and economic units, are fully responsible for the resolute accomplishment of the tasks, rights and duties settled in the contract law. At the same time it limits the assignment of personal management duties to specific tasks relating to the conclusion and fulfillment of business contracts, in other words avoids the enumeration of general principles applying to overall management activities, such as the assurance of the necessary data.

Moreover the law summarizes in a basic norm the tasks already handled by the State Contract Court as the special organ of the Council of Ministers for the assurance and supervision of the observance of socialist legality and state discipline in the conclusion and fulfillment of businews contracts. This basic norm was included in the law in order to achieve the complete regulation of the tasks involved in the assurance of the strict observation of the contract law. At the same time the incorporation of this basic norm in connection with the regulation of the tasks of state organs and combines i- to exemplify the fact that the work of the State Contract Court is not meant to replace the responsibility of the state managers and the

existing lines of management but serves the goal to affect the observance of this responsibility in accordance with legal standards.

The law also pursues and more precisely defines the regulations created by the plan-contract VO in the interest of the more effective assurance of the unity of plan, balance and contract. They include in particular the provision that the State Contract Court may express its appreciation to economic units that demonstrate the exemplary accomplishment of the tasks involved in the conclusion and fulfillment of business contracts. This type of moral incentive, coupled usually with requests to the superior organs to utilize the management methods resulting in the successes of the respective economic units, has turned out to be an effective approach to the generalization of good experiences. This holds true all the more as such appreciations may be pronounced with regard to economic units which, due to their production assortment and multiple buyers or suppliers, must cope with a complicated cooperation structure.

Utilizing the experiences gained by the plan-contract VO, the law combines the earlier allocation of requirement procedure and the economic penalty procedure in a uniform control procedure. This control procedure, details of which remain to be settled, is to conclude with the statement of reprehensible behavior by the economic unit or the imposition of a business penalty in conjunction with assignments for the restoration of state discipline.

At the same time the law provides a basic regulation respecting economic penalties. Economic penalties are to be imposed whenever legal obligations have been flagrantly violated and other measures to safeguard state discipline shown to be inadequate. A violation of legal obligations is deemed flagrant if the kind of offense reflects an infringement of fundamental principles of socialist management or planning, or when committed although substantial economic damage was foreseeable. The law also lists the basic facts in response to which economic penalties may be imposed on economic units. The regulation further takes into account the circumstance that the assurance of the unity of plan, balance and contract largely depends on the management operations of the combines. They may therefore be obligated to pay an economic penalty if they neglect to take the necessary decisions for the planned conclusion and fulfillment of business contracts, or not take them in time, or take decisions resulting in damage to the unity of plan, balance and contract. Legal regulations may provide for economic penalties with regard to other offenses against state discipline in the conclusion and fulfillment of business contracts.

The law also simplifies and makes more intelligible the system of penalties for contract offenses.

The new contract law includes the political and legal basic provisions on the conclusion and fulfillment of business contracts. The regulations concerning the various types of contract are settled in implementing decrees on the contract law issued by the Council of Ministers. Though the scope of the contract law and its implementing decrees was expanded by, among others, the incorporation of the plan-contract VO and the regulation of contracts on the joint accomplishment of assignments, the total volume of regulations was reduced by about a third compared with those in effect now. All responsible personnel of state organs and economic units

are now confronted with the duty to familiarize themselves with the new contract law and make the tasks, rights and duties arising therefrom a firm element of their management work.

FOOTNOTES

1. NEUES DEUTSCHLAND, 13/14 February 1982, p 1 (B).

2. "Direktive des X. Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft der DDR in den Jahren 1981 bis 1985" /Tenth SED Congress Directive on the Five-Year Plan for the Development of the GDR's National Economy 1981-1985/, Berlin 1981, p 89.

3. GBl I No 6 p 85, successively plan-contract VO.

4. "Bericht des ZK der SED an der X. Parteitag der SED; Berichterstatter: Erich Honecker," /SED Central Committee Report to the Tenth SED Congress; Reporter: Erich Honecker/, Berlin 1981, p 78.

5. GBl I No 38 p 335.

6. See Central Committee report, as before, p 77.

7. Ibid, p 119.

Text of Law

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 14, 13 Apr 82 pp 293-308

/Official text of "Law on the Contract System in the Socialist Economy--Contract Law of 25 March 1982," signed by Erich Honecker, chairman, GDR State Council/

/Text/ Classification

Part I	Scope	Articles 1- 5
Part II	Principles and Tasks	
Chapter 1	Principles of contractual relations	Articles 6-16
Chapter 2	Tasks of state organs and economic units	Articles 17-22
Part III	Conclusion, Text and Fulfillment of Business Contracts	
Chapter 1	Conclusion of business contracts	
Section 1	General provisions	Articles 23-27
Section 2	Generation of business contracts	Articles 28-33
Chapter 2	Coordination contracts	Articles 34-36
Chapter 3	Performance contracts	
Section 1	General provisions	Articles 37-40
Section 2	Text of performance contracts	Articles 41-56

Section 3	Fulfillment of performance contracts	Articles	57- 60
Section 3	Special organization of performance contracts	Articles	61- 72
Chapter 4	Contracts on the common accomplishment of tasks	Articles	73- 77
Chapter 5	Amendment and cancellation of business contracts	Articles	78- 81
Section IV	Responsibility for Breach of Duty		
Chapter 1	Responsibility for the breach of pre-contract and contractual duties		
Section 1	General provisions	Articles	82- 86
Section 2	Breach of pre-contract duties	Article	87
Section 3	Inappropriate performance in terms of quality	Articles	88- 98
Section 4	Lack of freedom from the rights of third parties (lack of clear title)	Article	99
Section 5	Unpunctual performance	Articles	100-102
Section 6	Incomplete performance	Article	103
Section 7	Nonfulfillment	Article	104
Section 8	Other breaches of duty	Article	105
Section 9	Contract penalty	Article	106
Section 10	Compensation for damage	Article	107
Section 11	Compensation for expenses incurred	Article	108
Chapter 2	Responsibility for the breach of state discipline	Articles	109-110
Part V	Other Provisions on Business Contracts	Articles	111-116
Part VI	Transitional and Concluding Regulations	Articles	117-119

The further strengthening of democratic centralism as the basic principle of the management and planning of the national economy and the progressive intensification of production require us consistently to realize the unity of plan, balance and business contract by developing the contract as an active tool of the implementation of the tasks set by the plan and the balances. For that reason the punctual and appropriate plan and contract fulfillment must be guaranteed as an important factor of effective management in all economic units and supervision strengthened.

Upon this presumption the People's Chamber of the German Democratic Republic enacts the following law:

Part I--Scope

Article 1--Objective

(1) This law regulates the tasks, rights and duties of economic units and state organs in the organization and realization of cooperation relations by business contracts relating to the coordination of economic operations, performances and the common accomplishment of tasks.

(2) Whenever special legal regulations are enacted on the basis of the special aspects of certain cooperation relation, these regulations apply.

Article 2--Economic Units

(1) The following are economic units:

1. State combines,
2. State enterprises of combines (combine enterprises),
3. State enterprises not part of any combine, state facilities,
4. Socialist cooperatives and their enterprises and facilities which are competent to contract,
5. Enterprises of parties and social organizations,
6. Other enterprises and facilities which receive state tasks and state plan targets, and
7. Socialist communities and community facilities which are competent to contract.

(2) The provisions of this law also apply to state organs and state facilities competent to contract and to parties and social organizations and their facilities competent to contract, insofar as they conclude business contracts.

Article 3--Other Enterprises and Facilities

This law also applies to business contracts between economic units as per article 2 and the purchasing and delivery cooperatives of artisans. It also applies to business contracts on the implementation of construction services and export contracts between economic units as per article 2 and enterprises of other types of ownership.

Article 4--Socialist Agricultural Enterprises

Business contracts concluded by socialist agricultural enterprises within the scope of permanent cooperative collaboration with one another as well as with their common facilities or within the scope of associations are to be organized by the partners with due regard for the principles of this law. Unless the partners have agreed otherwise, the provisions of this law apply.

Article 5--Economic Assurance of National Defense

This law also applies to business contracts designed for the economic assurance of national defense and the accomplishment of economic tasks to ensure internal security and order, unless the decree on deliveries and services to the armed organs--delivery order (LVO)--and other special legal regulations provide otherwise.

Part II--Principles and Tasks

Chapter 1--Principles of Contractual Relations

Function of Business Contracts

Article 6

(1) In the preparation and implementation of the economic plan economic units must use the business contract in order to organize their cooperation on their own responsibility and consonant with social interests.

(2) Business contracts must be concluded and carried out on the basis of state plan indices and other state plan decisions (state plan decisions). Economic units are obligated to incorporated the business contracts concluded in their plan drafts and plans. They must fulfill the plans in a contract appropriate manner and ensure the highest possible contract discipline.

(3) In the course of the conclusion and fulfillment of business contracts the economic units must exploit all opportunities arising from socialist production conditions.

(4) Economic units are obligated at the conclusion and fulfillment of business contracts to utilize the benefits of socialist economic integration and ensure the consistent observance of the obligations arising from international treaties and international trade treaties.

Article 7

(1) Economic units must so shape the tasks set by state plan decisions by way of business contracts, especially with respect to volume, assortment, quality and completion date, that an appropriate and smooth flowing production is guaranteed. At the same time they must react flexibly to the needs of the national economy, of exports and supplies for the public.

(2) Economic units must conclude and carry out business contracts so that the targets assigned in the state plan decisions are achieved by the most efficient use of the material and financial funds available as per plan.

Article 8

(1) Economic units must utilize the business contract to organize the close cooperation required for the planned exploitation of all opportunities offered by the scientific-technological revolution. The conclusion and fulfillment of business contracts must in particular ensure the acquisition, rapid transfer and widespread utilization of scientific-technological results consonant with advanced international standards, the best possible product quality and the comprehensive rationalization of production.

(2) Suppliers of components for end products are obligated to conclude business contracts in accordance with the demands on the end product arising from scientific-technological advances and ensure the fulfillment of their contractual obligations by the appropriate organization of their reproduction process from research and development through sales.

Article 9--Comradely Cooperation

(1) Upon conclusion and the fulfillment of business contracts economic units must cooperate on comradely terms. They are obligated to extend socialist aid to each other and take the justified interests of their partners into consideration. They must exchange experiences and data serving the better accomplishment of their tasks and inform their partners of obstacles to the orderly satisfaction of their obligations.

(2) The duty of comradely cooperation does not restrict the other partner's responsibility for the fulfillment of his obligations as per the business contract.

Article 10--Collaboration of the Working People

(1) Together with the labor unions and other social organizations, the managers of economic units must ensure that the initiative and readiness to perform of the working people are directed to contract appropriate plan fulfillment and the working people oriented by moral and material incentives to achieve the greatest possible social profit. They must therefore explain to the working people the economic significance of important contractual duties and ensure that the breakdown of the enterprise plan to the work collectives is accompanied by the notification of these obligations.

(2) The collaboration of the working people and their creative activism are to be so developed and encouraged, especially within the framework of the plan discussion and the socialist competition, that the best possible satisfaction of the national demand and the orderly fulfillment of business contracts are achieved.

(3) The managers of economic units are obligated to report to the working people about the conclusion and fulfillment of business contracts.

Article 11--Obligation to Contract

(1) Economic units are obligated to conclude business contracts with respect to the cooperation relations required to prepare and carry out the state plan decisions. In accordance with the purpose and type of cooperation they may conclude coordination contracts, performance contracts or contracts for the common accomplishment of tasks. The obligation to contract also extends to performances in excess of state plan decisions.

(2) The general director of the combine is entitled by decision to establish cooperation relations between the enterprises of the combine.

(3) To safeguard state interests, cooperation relations between economic units may also be established by legal regulations or decisions issued by the organs authorized to do so by legal regulations. The provisions on business contracts apply mutatis mutandi.

Article 12--Basis of Business Contracts

(1) The basis of the conclusion and fulfillment of business contract is represented especially by plan decisions on key points of the long-range development of the national economy, state plan targets of the five-year plan, state assignments on the preparation of plan drafts for the annual plans and budget plans, state plan targets of the annual plans and state budget plans and, lastly, balance decisions.

(2) State plan decisions are balanced and synchronized as per the legal regulations on planning; they must be issued early enough for the economic units to be able to conclude and carry out business contracts efficiently in terms of the national economy.

(3) The long-range business contracts concluded on the basis of state plan targets for the five-year plan are to be incorporated in the annual plans and annual balances unless decisions by the Council of Ministers or central state organs provide otherwise.

Article 13--Actions by Employees

(1) Actions taken by employees of economic units in the conclusion and fulfillment of business contracts directly affect the economic units in a positive or negative manner.

(2) The legal representation of economic units is governed by the respective legal regulations in effect.

Article 14--Duty of Real Fulfillment

The economic units are obligated to the real fulfillment of their contractual duties as per the respective legal regulations and contractual agreements.

Article 15--Responsibility

(1) Economic units and state organs are responsible for any neglect of duties. This responsibility may be excluded or limited only by legal regulations or on the basis of agreements.

(2) Material responsibility aims to educate the economic units in the greatest possible contract discipline and the compensation of damage caused by the breach of duty. It becomes effective in terms of economics by way of the enterprise result.

Article 16--Responsible Exercise and Protection of Legal Rights

(1) Economic units must exercise their rights at the conclusion and fulfillment of business contracts in conformity with social interests. They are obligated to state their claims to the conclusion of contracts and those arising from business contracts concluded and, if necessary, enforce them.

(2) Economic units are entitled to request the aid of the competent state organs if their rights as per this law are violated or endangered, or if there is some uncertainty about the legal situation. This right may not be limited by instructions of state organs and combines. On principle the request for legal protection must be preceded by the partners efforts to settle the dispute among themselves.

(3) In the course of proceedings the State Contract Court may impose contract penalties for the account of the state budget if the enforcement of a contract penalty claim by the economic unit concerned is no longer possible or has been negligently omitted or delayed.

Chapter 2--Tasks of State Organs and Economic Units

Article 17--Tasks of State Organs

(1) The central state organs must ensure that the legal regulations on the conclusion and fulfillment of business contracts in their sphere of responsibility are consistently observed and used to concretely arrange the planned efficient cooperation of economic units in the preparation, actual organization and implementation of plans, and to develop the creative initiative of the working people for contract appropriate plan fulfillment. They must provide and supervise the conditions that will enable their subordinated combines and state organs to accomplish their tasks for the assurance of the unity of plan, balance and contract with the greatest possible responsibility.

(2) The managers of central state organs are obligated to decide any important problems arising in the conclusion and fulfillment of business contracts if their subordinated combines and state organs are not able to settle these problems on their own.

(3) With reference to their subordinated economic units, the preceding provisions apply mutatis mutandi to local state organs.

Article 18--General Performance Conditions

(1) Central state organs may regulate rights and duties of the contracting partners on the basis of this law or other legal regulations by way of general delivery and performance terms (ALB) if the special features of the performance require the establishment of uniform principles.

(2) The ALB's are issued as legal regulations by the manager of that central state organ, which is responsible for balancing or to which the balancing organs are subordinated. Managers of central state organs with wholesale enterprises in their sphere of management are entitled to issue ALB's for their performances. ALB's require the approval of the chairman of the State Planning Commission, the minister for materials management, the managers of central state organs and central cooperative organs, whose spheres of management are mainly affected by the provisions of the ALB's, as well as of the chairman of the State Contract Court.

Tasks of Combines and Combine Enterprises

Article 19

(1) Consonant with their economic responsibility for the organic combination of science, technology, investments, production and sales as well as for the efficient organization of their reproduction process and in consideration of the status of the combine enterprises as responsibly planning and reporting economic units, combines must ensure the rational and stable organization of cooperation relations with other economic units and within the combine.

(2) Combines are obligated to coordinated with other economic units and organs superordinated to economic units the tasks arising in the preparation and fulfillment of the plans, especially planning and balancing, the implementation of complex innovation processes, the development of product assortments and the organization of cooperation by the combine enterprises.

(3) To meet their obligations combines and combine enterprises must fully exploit the opportunities offered by the standardized reproduction process in the combine. The general director of the combine must ensure that the satisfaction of cooperation obligations is taken into account when the plan fulfillment of combine enterprises is assessed.

Article 20

(1) The coordination contracts required to prepare and carry out the state plan decisions must normally be concluded by the combine. Performance contracts and contracts relating to the common accomplishment of tasks are normally concluded by combine enterprises.

(2) The general director of the combine may decide that certain business contracts are to be concluded by the combine or designated combine enterprises.

(3) The combine is entitled to conclude business contracts with the proviso that the rights arising from these contracts lie with the designated combine enterprises, and that these latter will also meet the respective obligations.

Article 21--Regulation of Cooperation Relations Between Combine Enterprises

(1) Cooperation relations between combine enterprises are to be regulated by the general director of the combine in a cooperation order. Keeping in mind the principles of this law and the observance of the status of the combine enterprises as independently planning and reporting economic units, the cooperation order must set out regulations in particular on

1. The basis of the organization of cooperation relations,

2. The legal form of the arrangement, amendment or cancellation of cooperation relations,

3. The text of performance contracts as well as the forms and methods of rational contract organization,

4. The management measures to ensure the timely and complete organization of cooperation relations and the orderly satisfaction of obligations,

5. The legal consequences of breaches of duty, and

6. The independent responsible settlement and the procedure for the arbitration of disputes.

(2) Insofar as the cooperation order of the combine omits relevant provisions, the provisions of this law apply mutatis mutandi to cooperation relations between combine enterprises.

(3) Disputes between combine enterprises concerning the organization of cooperation relations or the satisfaction of obligations are decided by the general director of the combine unless legal regulations provide otherwise. He may authorize senior personnel of the combine to issue the decision on his behalf.

Article 22--Tasks of the State Contract Court

(1) The State Contract Court as the organ of the Council of Ministers safeguards and supervises the observance of socialist legality and state discipline in the conclusion and fulfillment of business contracts, helps the economic units and state organs to ensure the unity of plan, balance and contract, and must therefore contribute to the steady improvement of the plan-likeness and efficiency of the national economy. It carries out its duties in the implementation of the resolutions adopted by the Socialist Unity Party of Germany, on the basis of the GDR Constitution, the laws and other legal regulations.

(2) The State Contract Court accomplishes its task in cooperation with other state organs and with the collaboration of the working people. It coordinates its work with state and social supervisory organs.

(3) The State Contract Court may issue an appreciation of the merits of economic units which discharge in an exemplary manner their duties for the assurance of the unity of plan, balance and contract upon the conclusion and fulfillment of business contracts. It imposes the penalties legally provided by the law on economic units violating this duty.

(4) The State Contract Court carries on proceedings to decide disputes arising in the conclusion and fulfillment of business contracts as well as cooperation assurance procedures, in order to affect contract fulfillment and supervisory processes for the enforcement of state discipline.

(5) To safeguard legality and enforce state discipline in the conclusion and fulfillment of business contracts as well as to encourage contract appropriate plan fulfillment, the State Contract Court may assign set tasks to the managers of economic units and state organs (with the exception of central state organs).

(6) The chairman of the State Contract Court may require the managers of central state organs to issue decisions regarding the conclusion and fulfillment of business contracts for tasks of importance from the national aspect, provided their subordinated combines and state organs have exhausted every opportunity to settle the matter, and the decision lies within the scope of the central state organs.

Part II--Conclusion, Text and Fulfillment of Business Contracts

Chapter 1--Conclusion of business contracts

Section 1--General provisions

Article 23--Conditions for the Conclusion of Contracts

(1) Economic Units must conclude business contracts at the time the essential contract terms may be adequately defined on the basis of state plan decisions, other state decisions, the results of plan coordinations and the economic unit's knowledge of technical, technological and economic possibilities and needs. The time of contract conclusion may be more precisely determined by legal regulations, coordination contracts or orders issued by authorized organs.

(2) The stipulations issued as coordination protocols as the result of plan coordinations are mandatory on the economic units at the conclusion of business contracts in the process of plan drafting. The economic units are obligated promptly to inform one another if a change in the coordination results is necessary at the time the plans are drafted more precisely.

(3) The economic units are obligated upon request to prove to the other partner that they have ascertained their needs on the basis of state plan decisions, legal regulations on materials use and state normatives and enterprise norms of materials and energy consumption as well as stockkeeping. A claim to the conclusion of a contract only exists to the extent of the justified demand. Economic units are obligated promptly to notify their partners if the need happens to cease.

(4) The economic units are obligated to offer temporarily idle basic assets to other economic units for their utilization and to conclude utilization contracts with them.

Article 24--Special Management Measures

(1) If economic units have concluded business contracts to the full extent of their state plan target but are instructed to conclude additional business contracts, the combine or superior organ must at the same time decide how to obtain the agreement of plan, balance and contract.

(2) Instructions interfering in business contracts must be coordinated between the combines or superordinated organs of the contractual partners. If no agreement is reached, the instruction is deemed to have been issued unilaterally.

(3) If temporary operational control is stipulated for item headings on the basis of legal regulations or decisions by the Council of Ministers, the decisions so issued are mandatory on the economic units. The decisions must be made the basis of the conclusion and fulfillment of the business contracts.

Article 25--Conclusion of Business Contracts for the Economic Assurance of National Defense

The conclusion and fulfillment of business contracts for the economic assurance of national defense and the fulfillment of economic tasks to ensure internal security and order must proceed so as in every instance to meet the planned needs of the armed organs by volume, assortment, quality and delivery date.

Article 26--Business Contracts on Priority Performances

(1) Within the framework of state plan decisions economic units give priority to the conclusion and fulfillment of contracts relating to performances serving the implementation of the state plan science and technology and plant export projects as well as other projects and targets enjoying priority as per legal regulations or Council of Ministers decisions.

(2) In the case of priority performances, contract conclusion may be refused only if the general director of the combine or manager of the superior organ confirms

that the performance requested does not conform to the production or service profile of the economic unit, or that its capacity is exclusively utilized for tasks relating to the economic assurance of national defense or for priority assignments.

(3) Article 24 paragraph 1 applies mutatis mutandi when economic units that had already concluded business contracts to the full extent of their state plan target, conclude additional business contracts on the basis of the duty to conclude priority contracts.

(4) If contract conclusion is refused as per paragraph 2, the customer must promptly notify the general director of his combine or manager of his superior organ and request settlement with the combine or superior organ of the other partner.

Article 27--Request for Decision

(1) If the unity of plan, balance and contract fails to be safeguarded due to the neglect of the decisionmaking and coordination duties assigned in this law, the economic units are entitled to request the appropriate decisions or coordinations from their combine or superior organ. The same applies mutatis mutandi for the review of decisions.

(2) The request for a decision must be justified in writing and accompanied by suggestions for efficient solutions from the aspect of the national economy. The general director of the combine or manager of the superior organ must promptly decide the request, certainly not later than 1 month.

Section 2--Generation of Business Contracts

Article 28--Agreement on the Text of the Contract

(1) Coordination contracts and performance contracts are generated by concurrent statements of offers and acceptance. Legal regulations, coordination contracts or master contracts may stipulate that a performance contract is generated by the arrival of the offer, or that an offer is deemed accepted unless rejected within a certain period.

(2) Contracts on the common accomplishment of tasks are generated by corresponding statements by the partners on their participation and the tasks to be accomplished together.

(3) If, as per legal regulations, the effectiveness of a business contract depends on the approval or another decision of a state organ, the business contract takes effect upon the issue of the approval or other decision from the date of contract conclusion.

(4) If partners fail to agree on certain contract terms, the performance contract is generated with respect to the disputed section. It is not generated if the partners fail to agree on the object of performance, its quality or price--unless both partners act as if the contract had been generated.

(5) If offer and acceptance with respect to the date of performance do not agree, and no agreement is produced by the date of the performance, the later date listed in the offer or counter offer is deemed to have been agreed. If a performance date is provided by a decision binding on both partners, that date becomes part of the contract.

Article 29--Offer and Acceptance

(1) Immediately upon the presence of the prerequisites required for contract conclusion, the customer must submit a contract offer or, if that should not be possible, request the supplier to submit an offer. An offer or request to submit an offer may also be made by the supplier.

(2) The supplier is obligated within 1 month from receipt to accept the offer or show cause for rejecting it or submit a counter offer or declare himself in some other way. The same applies mutatis mutandi to the request to submit an offer.

(3) Time limits for the offer or the acceptance may be agreed or stipulated by legal regulations.

Article 30--Commitment to the Offer

(1) Within the period as per article 29 paragraph 2 the supplier is committed to his offer (commitment period). If another period is stipulated as per article 29 paragraph 3, the supplier remains committed to his offer within this period. The extension of the commitment period in the offer is admissible.

(2) If the statement of acceptance is received after expiration of the commitment period, the supplier is entitled to refuse acceptance. If he fails to do so promptly, the business contract is deemed concluded.

Article 31--Form of Contracts

(1) Coordination contracts and contracts on the common accomplishment of tasks are to be concluded in writing.

(2) Performance contracts must be concluded in writing or in some other objectified form. Legal regulations or coordination contracts may stipulate conclusion in a certain form.

(3) A performance contract not conforming to the prescribed form is in effect insofar as the customer accepts the performance.

Special Features in the Generation of Business Contracts Suitable for Data Processing

Article 32

(1) The business contract must be concluded using standardized primary documents (printed forms) suitable for data processing if this is stipulated in legal regulations, coordination contracts or master contracts.

Article 33

(1) If a business contract was generated by the wrong or wrongful use of printed forms, other data carriers, keys or symbols, each partner is entitled to request cancellation of the contract.

(2) If keyed data are used, which do not conform to the terms of article 32 paragraph 3, or if additional texts are inserted on the printed form, contractual agreements are not generated.

Chapter 2--Coordination contracts

Article 34--Conclusion of Coordination Contracts

(1) Economic organs and superior organs of economic units are obligated on the basis of central plan decisions on key points of the long-term development of the national economy and state plan targets of the five-year plan to conclude coordination contracts if a long-term intensive cooperation between them is required for the efficient preparation of future performance relations. Coordination contracts must also be concluded if the necessity for contractual coordination of management operations exists although future performance relations are not envisioned.

(2) Coordination contracts on the preparation of future performance relations are not to be concluded if the prerequisites for the conclusion of performance contracts are present.

Article 35--Principle

(1) By the conclusion of the coordination contract the partners obligate themselves to adopt coordinated decisions and measures within the scope of management and planning as well as of business operations. The following in particular may be the object of coordination contracts:

1. Cooperation in the process of planning and balancing,

2. The development targets of scientific-technological tasks and the schedule and content of the accomplishment of scientific-technological tasks,

3. The coordination of investments,

4. The development of the production assortment and the preparation of sales and the use of the products, as well as

5. The preparation of exports and imports.

(2) Coordination contracts are to arrive at further agreements on the exchange of information and documentation, the partners, the date of the conclusion and the essential content of performance contracts, the compensation for expenses incurred, penalties and the distribution of profit and risk.

(3) The partners or the economic units designated by them must conclude performance contracts in conformity with the agreements arrived at in the coordination contract, provided that the plan decisions required by legal regulations are present. If agreements are set down in coordination contracts so as to affect the text of performance contracts, these stipulations are part and parcel of the performance contract to be concluded between the economic units.

Article 36--Compensation for Costs and Damages

(1) If the coordination contract should be amended or canceled, compensation for costs incurred must be paid as per article 79.

(2) Should one partner breach the duties accepted in the coordination contract, he is obligated to compensate the other partner for any damage suffered. If a contract penalty had been agreed for breach of duty, compensation for damage suffered in excess of that penalty may be claimed only if such a provision had initially been included.

Chapter 3--Performance contracts

Section 1--General provisions

Article 37--Principle

(1) By the performance contract the performing party obligates itself to produce the agreed performance and ancillary performances and, insofar as the type of performance requires, transfer to the customer or a third party designated by him the ownership of the funds or the ownership rights in the object of performance. The customer is obligated to cooperate in the manner stipulated, to acknowledge the orderly performance as the fulfillment (acceptance) and effect the counter consideration.

(2) With respect to similar performances to be supplied at recurrent dates (successive performances), the rights and duties of the partners refer to the current performance. The partners may agree a different procedure.

(3) Performance contracts are to be concluded for the entire period required for the preparation and execution of the performance. Performance contracts respecting successive performances must in principle be concluded for 1 plan year.

Article 38--Extent of the Performance

(1) Economic units are obligated--based on the purpose of the contract and in conformity with state quality orders--to agree complete performances usable for the customer. This duty is not curtailed if the supplier has the performance entirely or in part provided by third parties.

(2) The duty to agree complete performances may be limited only by legal regulations.

(3) The same partners may in principle conclude only one performance contract if several performances are required to accomplish a task.

Article 39--Long-Term Performance Contracts

(1) If the preparation and execution of a performance requires a period exceeding 1 plan year, the economic units must conclude long-term performance contracts. This applies mainly to tasks involving the economic assurance of national defense, science and technology, measures of socialist economic integration, investment projects, plant export projects, tasks and projects of socialist rationalization and tasks of the housing construction program.

(2) Economic units are obligated to conclude long-term performance contracts with respect to steadily recurring sales and supply relations (permanent relations), if the performances occur regularly between the partners and in the course of several plan years and are vital for safeguarding the finished production or implementation of other planned tasks for the development of production.

(3) Economic units are obligated to put into concrete form long-term contracts relating to the performances earmarked for the respective plan year unless specific provisions were agreed at the time of contract conclusion.

Article 40--Master Contracts

(1) To simplify the organization of performance contracts, the partners may conclude master constracts with respect to recurring contract terms for their cooperation relations.

(2) To be arranged in the master contracts is the relevance to specific performance contracts or periods. The arrangements set down in master contracts are the content of the performance contracts to be concluded.

(3) If master contracts are amended or canceled, arrangements must be made at the same time regarding the effect on existing performance contracts. If no arrangements are made, existing performance contracts are not affected by the amendment or cancellation. The same applies to master contractual arrangements in coordination contracts.

Section 2--Text of performance contracts

Article 41--Organization of the Contract Text

The partners must arrange the text of the performance contract in a manner suitable for orderly implementation. The details of the contract text follow the concrete terms of the performance.

Article 42--Quality

(1) The quality of the performance is determined by state quality regulations, especially state standards, regulations concerning measurement and commodity testing by the Standardization, Measurement and Commodity Testing Office, the regulations on health care and accident prevention as well as fire prevention and the regulations on environmental control. They are part of the contract even if not explitly mentioned.

(2) Insofar as the quality of the performance is not determined by state quality regulations or supplementary stipulations are required, the partners must make arrangements on quality in accordance with the purpose of the performance.

(3) The partners must also make arrangements regarding control, testing and measuring procedures as well as the transmission of information on the functional behavior of the object supplied.

(4) The partners may diverge from state quality regulations only insofar as this is permissible as per legal regulations.

Article 43

(1) If state quality regulations include stipulations on operational reliability, or if these are agreed in the contract on the basis of such regulations, the object supplied is quality appropriate as to operational reliability if breakdowns do not exceed the stipulated or agreed indices of reliability.

(2) The partners must agree within what delays breakdown are to be dealt with. Breakdowns within the warranty period and the realiability indices must be removed by the supplier at his expense.

(3) Agreements must be concluded on the proof of operational reliability for products featuring operational reliability as a quality feature. Also to be proved are the compilation, reporting and evaluation of data on functional behavior.

Article 4--Customer Service and Spare Part Supplies

(1) To ensure maintenance within and without the scope of the warranty, the economic units must provide within the delays stipulated the necessary customer service for products manufactured by them and also ensure the planned availability of spare parts, parts subject to wear and components.

(2) Spare parts, parts subject to wear and components must be made available after production of the product has ceased, until the end of the usefil life stipulated for the product. If the useful life is not stipulated, the authorized organs may determine an appropriate period for the duty to make spare parts available. If neither useful life nor period are stipulated, spare parts, parts subject to wear and components must be made available until 10 years after the end of the manufacture of the respective product. The same applies to spare parts, parts subject to wear and components not manufactured by the supplier.

(3) If an economic unit obligated to provide customer service does not have a customer service facility, it must itself restore the fitness for use.

(4) If the duties as per paragraphs 1 and 3 are infringed, the operator of the economic unit obligated to maintain customer service and spare part supplies may require compensation for additional costs incurred by in-house repairs or manufacture of spare parts, parts subject to wear and components.

Article 45--Warranty

(1) The supplier guarantees that the object supplied is operational during the warranty period and meets the quality requirements arising from state regulations or agreed in the contract. The warranty also extends to the operability to be presumed as per the contract.

(2) The partners may arrange for the warranty to be discharged by a cash payment or the supply of products free of charge.

(3) The warranty does not cover damage due to improper handling of the object supplied or effects outside the use assumed in the contract.

Legal Warranty Period

Article 46

(1) The legal warranty period arises from legal regulations or stipulations by the authorized state organs. Unless legal regulations or stipulations by authorized state organs provide otherwise, the warranty period is 6 months. The authorized state organ may stipulate the operational life instead of or in addition to the warranty period.

(2) For products or parts of products destined for immediate use, or which have a limited life when used appropriately, fitness for use is guaranteed for the period or operational life that must be presumed if the quality is satisfactory. The partners may agree on a certain warranty period; this does not apply if the warranty period is stiupated by legal regulations or authorized state organs.

Article 47

(1) The warranty period begins upon acceptance. If an incomplete performance is accepted, the warranty period begins on the day of completion; in that case claims arising from inadequate quality may be put in from the day of acceptance.

(2) For objects incorporated in other products or mechanisms the warranty period ends upon the expiry of the legal warranty period for that product or mechanism.

For objects combined or mixed with other products, the warranty period ends upon the expiry of the legal warranty period for the product resulting from the combination or mixture.

For objects destined for resale the warranty period ends upon the expiry of the legal warranty period in effect for the final consumer.

(3) Paragraph 2 does not apply if the warranty period for a product is governed by article 46 paragraph 2.

(4) The warranty period for campaign-related farm machines and for repairs to such machines does not end before the completion of the first campaign.

(5) In cases as per paragraph 2 and in consideration of industry-customary storage, processing and further processing periods, the partners may agree a maximum term if the nature of the object supplied so requires. Whenever authorized state organs stipulate a maximum term, this becomes part of the contract.

Article 48--Extended Warranty Period

(1) In accordance with the planned improvement of quality the partners are to agree an extended warranty period for suitable performances. The extended warranty period may be limited to parts of products or specific warranty services.

(2) If an extended warranty period is agreed or promised for a product or mechanism, the extended warranty must in principle be granted also by those economic units that supply components or other services.

(3) If the agreed warranty services do not suffice to remove the defects, the customer's warranty claims must be met by another warranty service.

Article 49--Freedom from Legal Defects

(1) The supplier must effect the performance free from third party rights asserted in the sovereign territory of the German Democratic Republic and the countries of destination agreed for exports, and that might adversely affect the contract appropriate use of the performance.

(2) If necessary, the partners must arrange tasks relating to proprietary rights in accordance with legal regulations.

Article 50--Price

(1) The price of the performance is determined in accordance with legal regulations. If the partners agree a price in contravention of legal regulations, the lawful price prevails. Price surcharges and discounts may be agreed only within the framework of legal regulations.

(2) If the price is not definitely ascertainable at the time the contract is concluded, the partners must agree a preliminary price. Contracts on consumer goods may be concluded only when the retail price stipulated by the authorized price organ is to hand.

(3) If the final price is less than the agreed preliminary price, the final price is payable. If the final price exceeds the preliminary price, the preliminary price is payable unless legal regulations, decisions by the authorized price organs or the business contract provide otherwise.

(4) If at the time of invoicing the final price is not yet available, the agreed preliminary price is payable. If the preliminary and final prices differ, the duty to repay the difference or make additional payments is determined as per paragraph 3.

(5) If a price is amended before the performance has been effected, and unless the regulation on price amendment does not have a specific provision for its effect on existing contracts, the original price stands.

Article 51--Performance Period

(1) The performance period (performance schedule, performance date) including the necessary intermediate dates must be arranged as needed to achieve the greatest possible usefulness. The partners may arrange a performance schedule in excess of 1 month only if this is admissible as per legal regulations.

(2) In the case of successive performances the partners may arrange for the customer within an agreed period to determine the delivery date by call.

(3) If the appropriate use of the object supplied depends on delivery being effected by the date agreed or within a certain time after it, the partners may agree that the contract can no longer be fulfilled after the date of delivery or stipulated period (fixed date).

Article 52--Place of Performance

(1) The performance must be effected at the location of the customer or the recipient designated by the customer. The place of performance may also depend on the type of performance.

(2) The partners may agree for the location of the performer to be the location of performance. This does not affect the supplier's duty to dispatch.

Article 53--Risk of Loss

(1) If the place of performance goes by article 52 paragraph 1, the risk of accidental destruction or accidental deterioration is transferred to the customer upon acceptance of the object supplied. The risk is also transferred if the customer delays acceptance or the participatory actions required.

(2) Is the place of performance the location of the supplier, the risk of accidental destruction or accidental deterioration is transferred to the customer

1. Upon dispatch and at the time of transfer to the transportation enterprise,

2. Upon agreed collection by the customer and upon transportation to the customer or the location designated by the latter by way of the suppliers means of transportation, at the time the means of transportation leaves the enterprise location of the supplier.

(3) If transportation of the object supplied is required to meet a warranty claim, the supplier carries the risk of accidental destruction or accidental deterioration from the time transportation begins until the satisfaction of the warranty claim.

(4) Destruction or deterioration are deemed accidental if neither one of the partners nor a third party involved have caused the destruction or deterioration of the object supplied.

Article 54--Transportation

(1) The supplier must carry out forwarding by the most appropriate means of transportation. The partners must make the proper arrangements in the contract.

(2) The customer is obligated to issue a forwarding instruction to the supplier if the place of destination was not stipulated at the time the contract was concluded. If the partners did not make any arrangements about the time for issuing the forwarding instruction, the forwarding instruction must be issued 2 weeks before the delivery date or the beginning of the delivery schedule.

(3) If the obligation to pay the costs of transportation was regulated neither by law nor contract, the supplier must pay transportation costs. If the place of performance is also the location of the supplier, transportation costs must be paid by the customer unless legal regulations or contractual agreements provide otherwise.

Article 55--Packing and Loading

(1) The supplier must pack and load the object supplied in accordance with regulations on packing and loading included in state quality regulations and the regulations of health care and accident as well as fire prevention and the instructions of the carriers. If there are no such regulations or instructions, packing and loading must be carried out in consideration of the best possible transportation and handling technology as required by the means of transportation employed and the distance involved.

(2) To be agreed in the contract are special customer requirements to be met by packing and loading, arising in particular from the unloading equipment or necessary storage by the customer or a third party.

Article 56--Agreements on Contract Penalties

(1) The provisions of this law and other regulations apply to offenses and to the amount of contract penalties. The partners may agree contract penalties for other instances and also higher contract penalties. If necessary, the partners should fix a minimum amount.

(2) The partners may contractually agree to exclude the possibility of documenting that the circumstances resulting in the breach of duty were unavoidable. In that case they may agree a contract penalty lower by up to 50 percent than the legal contract penalty and exclude compensation for any damage caused in excess of the amount of the penalty.

Section 3--Fulfillment of performance contracts

Article 57--Fulfillment by Performance

(1) The contract is fulfilled when the performance and counter performance have been effected. Unless acceptance is refused, the time of receipt of the object supplied is deemed to be the time of acceptance as well as the time of the transfer of fund ownership or ownership rights.

(2) Acceptance is deemed to have occurred even without an explicit statement to that effect once the customer uses the object supplied or the test period and period allowed for payment has passed. This does not apply to investment performances used by the customer before acceptance.

Article 58--Early Performance, Partial Performance, Additional Performance

(1) The partners may agree the admissibility of early performance. In the case of article 28 paragraph 5, early performance is admissible even without agreement from the offered earlier time of performance.

(2) If, in the case of divisible performances, the admissibility of a partial performance has not been agreed, the performance should be accepted if its is independently usable in terms of the purpose of use, and no additional costs arise therefrom.

(3) Unless legal regulations provide otherwise, additional performances are admissible only with the consent of the customer. Farm products delivered within the framework of the planned production area and the planned production assortment in excess of the volume agreed in the contract, must be accepted by the purchasing enterprises. Before delivery the partners must make arrangements about the delivery date.

Article 59--Invoicing

(1) The invoice may not be issued before the day of the performance.

(2) Unless otherwise provided in legal regulations, the supplier must issue the invoice no later than 3 working days after the day of delivery. If the performance is effected by a third party on behalf of the supplier, especially in a direct-to-purchaser sale, the invoice must be issued no later than 3 days after receipt of the invoice from the third party. The time allowed for invoices arising from long-term manufacture is 10 working days. Longer delays may be agreed only after coordination with the competent credit institution of the supplier.

(3) In cases of short-term recurring performances the supplier is entitled to invoice all performances within a period of time to be agreed (collective invoice).

(4) The supplier may issue an invoice if the customer delays acceptance or the object supplied cannot be dispatched at the proper time due to the lack of dispatch instructions.

Article 60--Maturity and Payment.

(1) The money is due on the last day of the period allowed for payment.

(2) Unless otherwise provided in legal regulations, the periods allowed for payment are determined by order of the president of the GDR State Bank. If a period allowed for payment is determined neither in legal regulations nor agreed within the framework of such regulations, payment must be made within 2 weeks from the issue of the invoice.

(3) Payment must be made in accordance with the procedure prescribed or agreed within the framework of legal regulations.

(4) Deemed the time of payment, insofar the amount is credited to the payee or received by him, is

1. The day of debiting in the case of transfer from a bank or postal check account or any other settlement procedure,

2. The day of inpayment in the case of cash payment to a credit institution or the German Post Office,

3. The day of handing over a check in payment to the supplier and the day of receipt by the supplier if the check was mailed,

4. The day of handing over the cash to the supplier in the case of cash payment.

Section 4--Special organization of performance contracts

Contracts on Scientific-Technological Performances

Article 61

(1) The contract on research and development performances obligates the supplier to work out the result necessary for the achievement of the agreed scientific-technological and economic targets, taking into account and creatively further developing the most advanced international findings, and to hand the result to the customer in the form agreed.

(2) The customer must cooperate in the preparation and execution of the performance in the prescribed manner, accept the performance and pay the price.

Article 62

(1) The contract on the supply of scientific-technological results for use against consideration obligates the supplier to hand over the result to the customer in the agreed form and to assist him as much as is required for using the result.

(2) The customer is obligated to accept the performance and pay the agreed charge.

Contracts on Performances for the Preparation and Execution of Investments

Article 63

(1) The contract on performances for the preparation of investments obligates the supplier to prepare a binding offer as well as other documents on the basis of the technical, technological and economic set points fixed with the confirmed assignment, and to hand them over to the customer.

(2) The customer is obligated to cooperate in the manner stipulated, especially to hand over documentation, accept the binding offer and the agreed other documents, and to pay the price.

Article 64

(1) The contract on the implementation of investments obligates the supplier to effect construction performances, the delivery and assembly of plant and equipment and the delivery of products, or to effect other performances for the renewal or expansion of basic assets as well as for new construction investments. The supplier is obligated to hand the object of performance to the customer and transfer to him the ownership of the funds or ownership rights.

(2) The customer is obligated to cooperate in the manner prescribed, to accept the performance and pay the price.

Article 65--General Contractors

(1) If an economic unit acts as general contractor, its contract conclusion duty vis-a-vis the customer requires the construction or reconstruction as well as the transfer of complete and usable production plants, facilities and buildings or housing complexes. The general contractor is responsible for the uniform management, coordination and control of performances and, unless other provisions were made, for the test runs and the proof of capacity. General suppliers are also deemed general contractors.

(2) The general contractor is obligated to issue binding offers for the performances to be supplied by him.

Article 66--Main Contractors

If an economic unit acts as a main contractor, its contract conclusion duty vis-a-vis the customer includes

1. The construction or reconstruction and handing over of complete plants or sections of plants,

2. The completion of the entire construction performance for a project or part project capable of being used, or

3. The assumption of complex transportation, supply or service performances.

(2) Main contractors effecting performances as per paragraph 1 Nos 1 and 2, must binding offers.

(3) If an economic unit is appointed main contractor for a scientific-technological performance, its contract conclusion duty includes the preparation, execution, coordination and control of a scientific-technological task including the cooperation necessary upon the transfer to the customer of the scientific-technological results.

Delivery Contracts

Article 67

(1) By the delivery contract the supplier obligates himself to deliver the product to the purchaser at the location of the performance and transfer to him ownership of the funds or ownership rights. The purchaser is obligated to accept the performance and pay the price.

(2) If the delivery consists of subassemblies or components, the supplier is obligated to assemble them unless otherwise provided in legal regulations or the contract.

(3) The supplier is obligated to dispatch the product. The partners may agree on other arrangements.

(4) If the product is accepted by the purchaser, the day of delivery is deemed to be

1. In the case of shipment the day of delivering the product to the transportation enterprise,

2. In the case of collection by the purchaser, the day of collection,

3. In the case of using the suppliers means of transport to deliver the product to the purchaser or to the location designated by him, the day when the means of transport leave the supplier's enterprise site,

4. In the case of joint quality testing at the location of the performance, the time of such testing.

Article 68

(1) Economic units may carry out the manufacture of products only if a delivery contract is in effect. This does not apply to the manufacture of products intended for registered exports, for products of agriculture, forestry and the foodstuffs industry, energy sources and planned stock increases.

(2) Carrying on manufacture without contract requires the prior approval of the general director of the combine or the manager of the superior organ. This approval must be linked with the initiation of measures to ensure sales.

Service Contracts

Article 69

(1) By the service contract the recipient of the order obligates himself to carry out some activity on objects of the customer or other activities on behalf of the customer. This activity may consist, in particular, of work on objects, of servicing and maintenance, technical inspection, repairs, the handling of customer services, warehousing, data processing or the handling of various assignments. The

customer is obligated to cooperate in the prescribed manner, especially to hand over to the recipient of the order the objects necessary for the service or to provide access, to accept the service and pay the price.

(2) The service must be effected at the location of the customer. Another location may arise from the contract or type of service. If required, the partners must come to an agreement about dispatch.

(3) If an economic unit acts on behalf of another one without being contractually obligated to do so, it must act in accordance with the interests and presumed wishes of that economic unit.

Article 70

(1) The recipient of the order must carry out the services in full observance of his duty to take every care and to act within the framework of the contract in accordance with the customer's decisions. He must examine the objects handed him to carry out the service with a view to their fitness for the purpose of the contract, store them and protect them against loss or damage.

(2) At the conclusion of the contract the recipient of the order must advise the customer about the most appropriate execution of the service. The recipient of the order is obligated in the case of new scientific-technological findings to submit to the customer suggestions for the use to be made of these findings.

(3) The recipient of the order must promptly inform the customer when noticing circumstances liable to impair the purpose of the contract, the quality of the service required or safety in the further use of the object. He is obligated upon request to inform the customer about the status of the service.

(4) The recipient of the order must return to the customer any objects handed him but not used, as well as the result achieved in the execution of the service. The customer is obligated to acceptance. If the service consists of warehousing, the customer may request the return of the objects before the period of storage has expired but subject to the duty of paying the storage fee.

Use Contracts

Article 71

(1) The use contract obligates the party relinquishing for use or co-use to the owner real property, movable or fixed basic assets or parts thereof as well as other objects (objects of use) for an agreed term or an unlimited period, in the condition contractually agreed or to be presumed for the respective use.

(2) The user is obligated to use the object in the agreed or customary manner, to return it upon expiry of the use period, and to pay the use fee agreed in accordance with legal regulations. In exceptional instances a use free of charge may be agreed.

(3) The use relation ends upon expiry of the term, cancellation of the contract or, if so provided by legal regulations or contract, by notice to terminate. The notice to terminate must be given in writing.

Article 72

(1) Unless otherwise provided, the party relinquishing the object of use must maintain it in the condition required as per article 71 paragraph 2. Upon information received by the use, he must within an appropriate period of time remove the defects caused by contract appropriate use or natural wear and tear. The partners may agree that the user should remove the defect at the expense of the party relinquishing the object.

(2) The user is obligated carefully to handle the object of use, maintain and service it properly, and to paint the walls of rooms unless otherwise agreed. He is not entitled without the consent of the relinquisher of the object to use it for any except the agreed or appropriate purpose, to change it or relinquish it to a third party.

Chapter 4--Contracts on the common accomplishment of tasks

Article 73--Principle

(1) Economic units are to cooperate in associations if this serves the improvement of the economic profitability of the funds available as per plan. Local state organs may participate in the common accomplishment of tasks as partners to the contract.

(2) The contract on the common accomplishment of tasks obligates the partners to cooperate for the achievement of the common purpose in the manner agreed in the contract.

(3) Performance relations within the association must be organized by performance contracts.

(4) If associations need to be legal entities in order to accomplish certain economic tasks, the establishment, tasks and status of these associations must be regulated in special leval provisions.

Article 74--Tasks of Combines and Superior Organs

(1) Combines and superior organs of economic units must ensure that the establishment and operation of associations proceeds in accordance with state plan decisions.

(2) The involvement of economic units in the common accomplishment of tasks requires the prior consent of the combines or superior organs. The decision must be made within 1 month after receipt of the application for approval.

(3) The economic unit assigned the day to day management of the association is obligated to report to its superior organ on the activities of the association.

Article 75--Management of the Association

(1) Cooperation in the association must proceed on the basis of the collective decisionmaking of the economic units involved.

(2) The economic units may establish a council to manage cooperation. They will be equally represented on this council. The council decides all issues essential for the realization of the tasks agreed in the contract. Council decisions obligate all partners who have approved the stipulations there included.

(3) The partners will assign day-to-day management to one of the economic units involved. To be agreed in the contract are the tasks, rights and duties of this designated economic unit, including plenary powers when representing the association in legal matters. The designated economic unit is obligated to report its actions to the other partners.

Article 76--Financing

(1) Unless otherwise arranged, the economic units finance the association in equal parts.

(2) The establishment of common funds is not permitted. In the case of collective investments, fund ownership must be assigned to one of the economic units involved. That economic unit is then obligated to allow the other economic units involved in the association the economic utilization of the joint investments in accordance with the aims of the contract.

(3) Legal prices are to be used for performances rendered by one partner in the association to another. The same applies to performances within the framework of the utilization of collectively financed investments. The partners may make arrangements about profit sharing.

Article 77--Ending Cooperation

(1) Cooperation for the common accomplishment of tasks ends when the purpose agreed in the contract has been achieved or the conditions for the ending of cooperation have arisen as agreed in the contract.

(2) Cooperation is to be ended by cancellation of the contract if the tasks and goals of the association no longer conform to economic requirements. This applies mutatis mutandi to a withdrawing partner.

(3) A partner may end his cooperation in the common accomplishment of tasks if the further existence of the association is not impaired thereby. He requires the consent of the other partners unless a right to termination was agreed in the contract.

Chapter 5--Amendment and cancellation of business contracts

Article 78--Prerequisites

(1) The partners must amend or cancel the business contract if that is necessary in the social interest. This applies especially if

1. More efficient possibilities for plan fulfillment arise in the process of planning and plan implementation,

2. A state plan decision binding on both parties diverges from the business contract,

3. Decisions as per article 24 paragraph 3 have been taken,

4. A shift in demand has occurred, or

5. The amendment or cancellation of the contract is stipulated in legal regulations.

(2) The amendment or cancellation must follow promptly on the presence of the conditions required therefor. Incidentally, article 28 paragraphs 1, 3 and 4 and articles 29-31 apply mutatis mutandi to the amendment or cancellation of business contracts.

Legal Consequences

Article 79

(1) If a business contract is amended or canceled, the partner causing the amendment or cancellation or whose circumstances necessitated the amendment or cancellation, must compensate the other partner for any expense incurred. Legal regulations, decisions binding on both partners or agreements between the partners may stipulate otherwise.

(2) Materials and semifinished parts are to be used. The earnings either achieved or possible upon orderly behavior must be applied to the expenses.

(3) To be applied to the compensation for expenses incurred is a contract penalty paid in connection with the cancellation of the contract.

Article 80

(1) If a performance contract is canceled due to the breach of duty by one of the partners, he must pay the other partner a contract penalty as if the contract had not been fulfilled; he must also compensate for any additional damage caused. Legal regulations, decisions binding on both partners or agreements between the partners may stipulate that only compensation may be claimed.

(2) If a contract amendment is agreed, the partners may reserve the right to contract penalty and compensation claims such as would arise in case the respective contract conditions were maintained.

(3) Compensation for costs incurred must be applied to the contract penalty.

(4) Upon the amendment or cancellation of business contracts, claims for contract penalties and compensation as per the contract remain in effect provided they have arisen beforehand.

Article 81--Accession to Contract

(1) The partners may agree with another economic unit to replace one of the partners in the contract.

(2) Combines or superior organs may direct another economic unit to replace one partner to the contract. Accession to the contract requires the consent of the remaining partner or his combine or superior organ.

(3) Upon accession to the contract the incoming partner assumes all rights and duties vis-a-vis the remaining partner, that exist at the time of accession. This does not apply to claims that have arisen before. Unless otherwise agreed the acceding partner must compensate the remaining partner for any additional costs incurred as a consequence of his accession to the contract. If the causes for a breach of duty occurring later were due to the departing partner, the latter must compensate the acceding partner.

Part IV--Responsibility for Breaches of Duty

Chapter 1--Responsibility for the breach of pre-contractual and contractual duties

Section 1--General provisions

Article 82--Principle

(1) The partners are responsible for any breach of precontractual and contractual duties and must assume all legal consequences of such a breach. They are also responsible for the actions of third parties involved in the conclusion and fulfillment of the business contract.

(2) Responsibility for the breach of contractual duties does not release the partners from the fulfillment of the business contract unless otherwise provided in legal regulations.

Article 83--Exclusion of Responsibility

(1) Responsibility is excluded to the extent that the breach of duty was caused by the other partner or due to an unavoidable occurrence.

(2) An occurrence is deemed to be unavoidable if it is of an extraordinary nature and could not have been foreseen nor prevented even by using all measures consonant with current possibilities and experiences.

(3) If legal regulations exclude the responsibility of a third party or such responsibility is limited, the obligation of the partner to pay contract penalties and compensation exists only insofar as he may have the right of recourse from the third party.

Article 84--Release from Legal Consequences

(1) A partner is not obligated to pay contract penalties and compensation if the circumstances leading to the breach of duty were unavoidable despite the utilization of all possibilities offered by socialist production conditions, including those provided by the uniform reproduction process in the combine.

(2) If the breach of duty is caused by a third party involved in the conclusion and fulfillment of the business contract, the partner is not obligated to pay contract penalties and compensation if neither he nor the third party were able to avoid the circumstances resulting in the breach of duty as per paragraph 1.

(3) Release from the obligation to pay contract penalties and compensation is excluded if

1. The breach of duty was caused by the fact that the partner obligated to pay did not have the necessary moneys available,

2. The breach of duty was caused by a decision issued unilaterally and not binding on the other partner, or

3. Legal regulations or the contract so provide.

Article 85--Averting Breaches of Duty

(1) If a partner violates a binding duty or recognizes that such a violation threatens, he must adopt measures to overcome the difficulties with the aim of fulfilling his duty and averting further breaches of duty.

(2) If a partner recognizes that he is unable to meet his obligations or meet them in an orderly fashion, he must promptly inform the partner, citing the reasins and the measures adopted to remove the obstacles. If failure to meet a certain date is involved, he must cite the probable date of the performance.

(3) The other partner is obligated to adopt suitable measures to avert or minimize the possible damage.

Article 86--Information about Causes and Material Interestedness

(1) The managers of economic units must ensure that the causes and conditions favoring breaches of duty are elucidated with the collaboration of the working people as well as in the utilization of the knowledge of state and social control organs, the resulting findings are evaluated and measures for the improvement of state discipline carried out.

(2) When applying the principle of material interestedness, the managers of economic units must take into account the fulfillment of contractual duties. In the case of breaches of duties by individual working people, the use of responsibility as per the labor code must be investigated.

Section 2--Breach of pre-contractual duties

Article 87

If one economic unit violates pre-contractual duties to another economic unit, it must compensate the damage caused thereby. Special legal regulations may specify contract penalties for breaches of pre-contractual duties.

Section 3--Unsatisfactory Quality of Performances

Article 88--Claims

(1) If one partner neglects the duty to effect a fair quality performance, the other partner is entitled to refuse acceptance or submit warranty claims and claim contract penalties and compensation for damage caused over and above the amount of such penalties, provided the defects occur within the legal warranty period.

(2) If the usability of the object of performance is impaired only slightly, the other partner is entitled only to claim warranty services.

Article 89--Refusal of Acceptance

(1) The customer may refuse acceptance if a performance is found to be defective by the time of payment but certainly not later than the end of the period allowed for payment or the time needed for special test procedures (such as joint quality testing, statistical quality control). The refusal to accept must be justified. It may be explained together with the refusal to make payment.

(2) If, due to the refusal of acceptance, the supplier is unable to observe the agreed schedule of performance or fulfillment becomes impossible, the legal consequences of delay or nonfulfillment arise.

(3) The refusal to accept does not affect the duty to receive the object of performance unless legal regulations provide otherwise. The supplier must promptly take suitable measures.

(4) If the supplier does not promptly take suitable measures, the customer may store the object of performance at the expense of the supplier, return it with the consent of the supplier, or accept it on commission. If the object of performance is perishable, the customer must initiate or carry out the best possible utilization in terms of national economic goals, while making sure he retains the proper evidence.

Notification of Defects

Article 90

(1) If, upon receipt of the performance or within the warranty period, the customer notes the absence of the prescribed or agreed or contractually presumed quality features (defects), he is obligated to notify the supplier of the defects and at the same time provide him with all the data required to assess and illuminate the facts, unless the supplier himself pointed out the defects,

(2) If joint quality testing is carried out, the result must be minuted. This minute replaces the notification of defect.

(3) Notification of defect must occur within 1 month from the ascertainment of the defect and in writing.

Article 91

(1) If the performance is effected by a third party designated in writing to the customer, the customer must notify the party to effect the performance as well as the third party.

(2) The notification by the customer issued to the third party is deemed also to be notification of his partner.

(3) If the notification of defect concerns a third party designated by the supplier or manufacturer to carry out warranty claims (contract workshop), the supplier and those economic units involved in the manufacture and sale of the object of performance are deemed to have been notified of the defect. That also applies if an end user notifies the contract workshop of the defect although the end user is not subordinated to the scope of this law.

Article 92--Consequences of Failure to Notify in Time

(1) The customer is entitled to raise warranty claims and claims for contract penalties and compensation for poor quality performance only if he ascertains the defect within the warranty period and has given the proper notice no later than 1 month after its expiry. Within the chain of cooperation this period extends by 1 month for every supplier.

(2) If quality testing is done by a special test procedure, the customer is entitled to claim for defects ascertained in this test procedure only if he gives the proper notice within 1 month after the test period provided. Different provisions may be made in legal regulations.

Article 93--Claims after Expiry of the Warranty Period

(1) The supplier is obligated to warranty service also for a defect noted after the expiry of the warranty period if it is proved that the defect is due to a crass breach of the duty to effect a high-quality performance, and the object of performance consequently has a shorter life or durability even when used properly.

(2) Given the conditions of paragraph 1, the State Contract Court may exceptionally award damages if the customer has suffered substantial disadvantages by the breach of duty.

Warranty Claims

Article 94

(1) The supplier is obligated promptly to remove the defects notified (mending). The partners may agree that the warranty claim may be met by effecting a sound performance (replacement) or a reduction in the amount of the invoice, consonant with the extent of the reduction in use value (reduction). In case of replacement, the customer is obligated to return the defective object at the expense and risk of the supplier unless the partners have agreed otherwise.

(2) The duty to mend is independent of the supplier's acknowledgment of a warranty liability.

(3) If mending is not possible in the prescribed period, or if the warranted interests of the customer require another warranty service, the customer may claim replacement or reduction. He is entitled to exercise this right also if full usability fails to be restored by mending.

(4) A set period is to be agreed for mending or replacement. If nothing is agreed, the set period is 3 weeks, beginning with the notification of the defect. Legal regulations may provide otherwise.

(5) Mending stops the clock of the warranty period, from notification of the defect to the completion of mending. A new warranty period begins in case of replacement, starting with acceptance or implementation.

(6) Unless otherwise agreed, the customer is entitled to carry out mending if able to do so properly, and if this is in the interest of the economy. When the customer does his own mending, he may claim compensation for any costs incurred.

Article 95

(1) If it is impossible to carry out mending or replacement, or if it is impossible to do so at the proper time, and if the object cannot reasonably be used, the customer may withdraw from the contract. This withdrawal is limited to part of the performance if it is possible to achieve with the remaining part the purpose intended by the contract fulfillment.

(2) Withdrawal from the contract ends the obligation to effect the performance and counter performance. Whatever has already been performed must be returned at the expense and risk of the supplier

Article 96--Accessory Claims

(1) If, in connection with the exercise of the right to refuse acceptance or to request warranty services, the customer incurs any expenses, the supplier must compensate him.

(2) If the refusal of acceptance or warranty claims are unjustified, the customer must compensate the supplier for any costs incurred.

Article 97--Nonpayment and Interest Charges

(1) The customer is not obligated to pay for the performance if he refuses acceptance or requires warranty services. If acceptance is refused in part, or if warranty claims arise for only part of the performance and that part may be independently used, nonpayment must be limited to the value of the part affected by the breach of contract.

(2) If the customer has paid for unsatisfactory performance, interest is to be charged for the price paid either in full or in part from the time notification of the defect was made to the time the warranty claim was satisfied.

(3) In the case of replacement the partners may agree that the original price be repaid and the replacement invoiced.

Article 98--The Application of Regulations on Unsatisfactory Performances to Other Breaches of Contract

The provisions on unsatisfactory performances are to be applied mutatis mutandi if

1. A product other than the agreed product is delivered,

2. The volume supplied differs from the volume recorded in the waybills or invoice, unless an obvious part delivery is involved or a clerical or computing error obvious to the customer was committed,

3. The obligation to indicate distinguishably as stipulated in legal regulations or agreed in the business contract is not met.

Section 4--Lack of clear title

Article 99

(1) If the supplier fails to effect the performance to the extent stipulated and lacking clear title, the customer may refuse acceptance or require the supplier to remove the defect in title within a reasonable period. A period for the removal of the defect in title is to be agreed.

(2) If the supplier fails to remove the defect in title within the agreed or reasonable period, or if he states that he will not remove the defect in title, the customer may require reduction or, if he cannot be expected to use the performance even upon reduction, withdraw from the contract.

(3) Article 89 paragraph 2 applies mutatis mutandi to the refusal of acceptance; article 95 paragraph 1 and article 104 paragraph 1 apply mutatis mutandi to withdrawal from the contract.

Section 5--Unpunctual performance

Article 100--Delay

(1) A partner is in default if he fails to effect a performance, ancillary performance or cooperative action by the date or within the period stipulated, or fails to accept a contract appropriate performance offered.

(2) In the case of delay with regard to the performance or the acceptance of the performance, a contract penalty is payable, and the damage suffered over and above the amount of the penalty is to be compensated. That also applies to the nonobservance of an intermediate date unless otherwise provided in legal regulations.

(3) If the object of performance cannot be punctually dispatched due to the lack of dispatch instructions by the customer, a contract penalty is to be paid by the latter as in the case of failure to accept. It is payable from the agreed delivery date and any damage suffered over and above the amount of the penalty to be compensated.

Article 101--Withdrawal

(1) The customer may withdraw from the contract if contract fulfillment loses its purpose due to the default of the supplier, especially if the object of performance can no longer be appropriately used by the customer.

(2) Withdrawal is effective only if the performer is notified before the fulfillment of the performance obligation. If the supplier has informed the customer of a potential delay in performance, the latter may notify withdrawal only within 2 weeks of that notification. If the supplier is obligated to dispatch the object of performance, the notification of withdrawal must be in the hands of the supplier by the time of dispatch. In any case article 95 paragraph 2 and article 96 apply.

Article 102--Early Performance not Agreed Upon

If there is no agreement on early performance, the customer may refuse acceptance of an early performance and refuse payment until the date or period stipulated for the performance. In any case article 89 paragraphs 3 and 3 and paragraph 96 apply.

Section 6--Incomplete performance

Article 103

(1) If a performance is not effected so complete as required for contract appropriate use, the customer may refuse acceptance and payment until completion. Articles 89, 96 and 97 apply mutatis mutandi.

(2) If an incomplete performance is accepted, the supplier is obligated promptly to complete the performance, in case of delay to pay contract penalties and compensate any damage incurred over and above the amount of the penalty. The customer may refuse payment. Articles 97 and 101 apply mutatis mutandi.

Section 7--Nonfulfillment

Article 104

(1) If a partner fails to meet his performance obligation or meets it in part only, he must pay the other partner a contract penalty and compensate him for any damage suffered over and above the amount of the penalty.

(2) Nonfulfillment is present in particular

1. If the performance becomes impossible,

2. If, on the basis of legal regulations or contractual agreements, fulfillment is permissible within a certain period or by the end of a certain time, and no performance was duly effected,

3. If the competent state organ fodbids the supplier to meet the obligation,

4. In the case of nonacceptance,

5. In case the customer withdraws due to late or incomplete performance.

Section 8--Other breaches of duty

Article 105

(1) If, in the case of a potential delay or potential nonfulfillment, one of the partners fails to meet his obligation to inform the other partner as per article 85 paragraph 2, he is obligated to pay a contract penalty and compensate any damage arising from the failure to notify over and above the amount of the penalty insofar he is released from the legal consequences of delay or nonfulfillment.

(2) If, at the end of the utilization relation, a user fails promptly to return the object used, he must pay a contract penalty and compensate any damage suffered over and above the amount of the penalty. The lender's claim to the agreed compensation for use is not affected thereby.

(3) If a partner violates contractual duties but no contract penalty is stipulated or agreed for such violations, he is obligated to compensate the damage caused.

Section 9--Contract penalty

Article 106

(1) The contract penalty is a previously determined amount of money and, in the case of breaches of duty, compensates for the damage normally expected to arise.

(2) The duty to pay the contract penalty stands even if the damage suffered by the partner is less than the contract penalty or the amount of damage is not ascertainable.

(3) Exceptionally the contract penalty may be reduced if the individual circumstances, especially the extent of the efforts of the obligated party to deal with the circumstances obstructing contract fulfillment, justify his behavior following the breach of duty and the ratio of the contract penalty to the damage suffered.

Section 10--Compensation for damage

Article 107

(1) Compensation equalizes the material disadvantages suffered by the partner as a result of the breach of duty. This includes loss of or damage to assets, costs arising in the reduction or removal of the damage and the loss of profits as well as the amounts of contract penalties and compensation paid due to the breach of duty (right of recourse).

(2) Compensation for damage is effected by the payment of a money amount. Restoration of the original condition may be required instead of a money payment, provided that this is a reasonable request.

(3) If it is possible to ascertain the amount of damage only by incurring unjustifiable costs, it is to be estimated while taking all circumstances into account.

(4) Compensation may be reduced by the appropriate application of article 6 paragraph 3.

Section 11--Compensation for expenses incurred

Article 108

(1) Compensation for expenses incurred equalize the material disadvantages suffered by one partner. The actual costs may be claimed as compensation, provided they were justified in the circumstances.

(2) Compensation for expenses incurred must be rendered by a money payment. The partners may agree that costs be repaid in the form of a fixed amount or as a percentage of the value of the performance (compounded compensation for expenses incurred).

(3) Article 106 paragraph 3 and article 107 paragraph 3 apply mutatis mutandi.

Chapter 2--Responsibility for the breach of state discipline

Article 109--Principle

(1) Economic units in breach of state discipline by crass neglect of their duties by

1. Delaying or refusing the conclusion of contracts or permitting contract arrears,

2. Concluding contracts or effecting or having effected performances not based on state plan decisions and other required state decisions, or, without a delivery contract, manufacturing products for which sales have not been ensured,

3. At the conclusion or fulfillment of contracts violating legal regulations on energy and materials management, including secondary raw materials and stockpiling management,

4. Failing to ensure the usability of their products or performances, or

5. Demanding unlawful economic benefits, accepting promises, accepting, promising or granting favors or threatening prejudice or without justification demanding the priority conclusion of contracts,

may be held liable (taking into account other measures to ensure state discipline) to pay an amount of money to the state budget (economic penalty). The economic penalty is determined by decision of the State Contract Court.

(2) A breach of duty is deemed crass if the way it is committed reflects an infringement of the basic principles of socialist management and planning, or if it is committed although substantial adverse economic effects were foreseeable.

(3) Combines may also be obligated to pay an economic penalty if they fail altogether or at the proper time to adopt the decisions needed for the planned conclusion

and fulfillment of the business contracts or take decisions in contravention of the unity of plan, balance and contract. This regulation also applies to state organs operating according to the principle of economic accounting.

(4) The managers of economic units must explain the imposition of an economic penalty within the framework of reporting to the working people or on other suitable occasions; they must also carry out measures to improve state discipline. Article 86 applies mutatis mutandi

Article 110--Other Provisions on Economic Penalties

(1) An economic penalty may amount to up to M500,000.

(2) Proceedings to determine an economy penalty may not be initiated after the end of the year following the breach of duty.

(3) Appeals against the imposition of economic penalties are permitted.

(4) Legal regulations may provide for economic penalties with regard to other offenses against state discipline in the conclusion and fulfillment of business contracts. Regulations on economic penalties require the consent of the chairman of the State Contract Court.

Part V--Other Provisions on Business Contracts

Article 111--Principle of the Statute of Limitation

(1) At the end of the periods stipulated, claims can no longer be enforced with the aid of the State Contract Court (statute of limitation). Accessory claims lose effect no later than the primary claim.

(2) A performance effected after the period of limitation cannot be reclaimed for superannuation of the claim.

(3) If weighty reasons are present, the State Contract Court may adjudge a claim beyond the statute of limitation or enforce satisfaction of the judgment after the end of the period set for satisfaction of the judgment.

Article 112--Period of Limitation

(1) For warranty claims, accessory claims, interest claims and contract penalties the period of limitation is 6 months. For all other claims the period of limitation is 1 year. Legal regulations may stipulate different periods of limitation.

(2) Any change in the period of limitation by contractual agreement is inadmissible.

Article 113--Beginning of the Period of Limitation

(1) For all claims arising from failure to supply an appropriate quality performance the period of limitation begins on the first day of the month following the day notification of defect was made. If the contract penalty for inappropriate quality performance increases with the passage of time, the period of limitation

begins as it does in cases of delay. The period of limitation for contract penalty claims due to other breaches of duty begins on the first day of the month following the beginning, in the case of delay the end of the breach of duty.

(2) The period of limitation for all other claims begins on the first day of the month following the day the claim may be asserted or could have been asserted in orderly proceedings. The period of limitation for recourse claims begins on the first day of the month following the payment by the party entitled to recourse or the beginning of the effectiveness of the judgment pronounced by the State Contract Court, another court or abitration court.

Article 114--Interruption and Estoppel of the Period of Limitation

(1) The period of limitation is interrupted by the written acknowledgement of the claim. A new period of limitation begins on the first day of the month following the acknowledgement.

(2) The period of limitation is estopped for that time that proceedings with regard to the claim are pending at the State Contract Court.

(3) The period of limitation for claims arising from unsatisfactory performance is estopped for the time from the notification of defect to the satisfaction of the warranty claim or until the declaration by the obligated party that he refuses satisfaction of the warranty claim.

Article 115--Statute of Limitation with Regard to Execution

(1) The execution of a State Contract Court judgment cannot be claimed after the lapse of 1 year.

(2) The period of limitation begins on the first day of the month following the beginning of the effectiveness of the judgment but not before the claim is due.

(3) The period of limitation with regard to execution is estopped by the initiation of the execution. It begins again on the first day of the month following the conclusion of the execution of the judgment.

(4) The period of the limitation of execution is estopped for the period in which a review proceeding with regard to the claim to be executed is before the State Contract Court.

Article 116--Observance of a Period

If a period is prescribed for the submission of a statement, the period is deemed observed if the statement is handed over to the German Postal Service within that period for forwarding. In case of doubt the date stamp of the German Postal Service is deemed the date of handing over.

Part VI--Transitional and Concluding Regulations

Article 117--Implementing Legislation

(1) The Council of Ministers will issue implementing decrees. It is authorized to expand the scope of this law.

(2) In coordination with the managers of the competent central state organs the chairman of the State Contract Court will issue implementing regulations on this law as well as the legal regulations enacted on its basis.

Article 118--Effect on Contracts Concluded

This law applies to all business contracts to be fulfilled once it has taken effect.

Article 119--Effective Date

(1) This law takes effect on 1 July 1982.

(2) Losing effect on the same day are

1. The law of 25 February 1965 on the Contract System in the Socialist Economy (Contract Law)--(GBl I No 7 p 107),

2. The First Implementing Decree of 25 February 1965 on the Contract Law--Contract Penalties and Price Penalties--(GBl II No 34 p 249),

3. The Second Implementing Decree of 25 February 1965 on the Contract Law--Inclusion of Private Enterprises in the Contract System--(GBl II No 34 p 250),

4. The Third Implementing Decree of 13 December 1973 on the Contract Law--Business Contracts on Scientific-Technological Performances--(GBl I 1974 No 4 p 37),

5. The Fourth Implementing Decree of 16 May 1973 on the Contract Law--Business Contracts on the Assurance of Exports and Imports--(GBl I No 39 p 277),

6. The Decree of 28 August 1975 on the Amendment of the Fourth Implementing Decree on the Contract Law--Business Contracts on the Assurance of Exports and Imports (GBl I No 38 p 653),

7. The Second Decree of 27 July 1978 on the Amendment of the Fourth Implementing Decree on the Contract Law--Business Contracts on the Assurance of Exports and Imports--(GBl I No 25 p 283

8. The Sixth Implementing Decree of 13 July 1972 on the Contract Law--Business Contracts for the Supply of the Public--(GBl II No 45 p 515),

9. The Decree of 21 July 1978 on the Amendment of the Sixth Implementing Decree on the Contract Law--Business Contracts for the Supply of the Public--(GBl I No 25 p 283, Adjustment No 32 p 364),

10. The Seventh Implementing Decree of 22 April 1965 on the Contract Law--Business Contracts of Socialist Farm Enterprises--(GBl II No 63 p 431),

11. The Eighth Implementing Decree of 12 October 1978 on the Contract Law--Business Contracts within the Framework of the Reproduction of Basic Assets--(GBl I No 37 p 397),

12. The Tenth Implementing Decree of 15 September 1972 on the Contract Law--Inclusion of Private Artisan Building Enterprises in the Contract System--(GBl II No 54 p 600),

13. The Decree of 12 March 1970 on Cooperation Associations (GBl II No 39 p 287),

14. The Decree of 26 January 1978 on the Assurance of the Unity of Plan and Contract at the Conclusion and Fulfillment of Business Contracts--(GBl I No 6 p 85).

The preceding law, enacted by the People's Chamber of the German Democratic Republic on 25 March 1982, is hereby proclaimed.

11698
CSO: 2300/254

BRIEFS

SCHWARZE PUMPE ACCIDENT CAUSE--"According to Eckhard Klingeberg, deputy chief of the national office for technical supervision and head of the expert commission for investigating the accident in the Schwarze Pumpe Gas Combine, the cause of the explosion on 22 February 1982 has been completely clarified." In thorough scientific analyses scientists established that the accident was caused in the process of gasification, which cannot be influenced by the operators. As an inflammable gas-oxygen mixture was generated. In the meantime all the necessary technical prerequisites were created to avoid the recurrence of such an accident, and various measures were taken to upgrade the workers' and production safety in similar installations in other fields of the national economy. Considerable progress has been made in the reconstruction of the destroyed facilities in the Schwarze Pumpe Gas Combine. [Summary] [AU290929 East Berlin NEUES DEUTSCHLAND in German 28 Apr 82 p 1]

CSO: 2300/266

OFFICIAL DESCRIBES FOREIGN TRADE BANK'S BUSINESS POLICY

Budapest MAGYAR HIRLAP in Hungarian 8 Apr 82 p 7

[Interview with Sandor Demcsak, managing director of the Foreign Trade Bank, by Maria Lakatos; no place or date given]

[Text] The MKB (Hungarian Foreign Trade Bank, Inc.) is one of the less well known organizations in Hungarian financial life. The past year brought a significant change in the life of this money institute when it received a place in the granting of investment credits for expanding the production of exportable products. Beginning this year, it can also grant loans in other fields. We spoke with Sandor Demcsak, managing director of the bank, about the work of the institution and the possibilities afforded by the new rights.

[Question] The MKB is not only a commercial but also a foreign exchange bank. How do these two factors determine the policy of the business?

[Answer] Our business policy reflects the bank's two spheres of tasks. One is to provide economic nurturing in foreign trade business transactions and production cooperations. This expression embraces multifaced work: the organization of operations, the coordination of activities by partner enterprises, advisory work, and so forth. I would concisely characterize our business policy that is related to this by saying that we would espouse any transaction that has the goal of improving our international payments balance. primarily in convertible exchange. As a foreign exchange bank we conduct the financial part of foreign trade transactions, take up credits abroad, or make loans abroad as well as at home. Since 1968 we have adapted a special credit type in Hungary: the domestic foreign exchange credit. One type is the so-called processing foreign currency credit.

[Question] What does this technical expression include?

[Answer] Let us take a simple example: knitting machines are idle somewhere because of a shortage of thread. We grant foreign exchange credit for buying the thread, and then from the export of the items they manufacture--pullover sweaters, clothes--the credit and interests are recovered, and the enterprise makes profits.

[Question] This example from the light industry cannot be accidental...

[Answer] That is right. We have extended a great deal of processing foreign currency credit in this sub-branch.

Machine Leases

[Question] One of the special types of foreign trade transactions is leasing, which for a long time was a red rag to the authorities. Has the situation changed any?

[Answer] In recent years we have succeeded in gaining the acceptance of leasing, or of the lease of foreign machinery. In essence, this transaction replaces investments in those cases where an enterprise has need for the machine or equipment only temporarily. Most frequently because of the rapid physical and value obsolescence, however, it is provided for in the contract that with the expiration of the lease time, the machinery--after payment of the minimal remaining value--will pass to the ownership of the user.

Both forms of leasing--in the West the first is called operative leasing and the second financial leasing--make it possible rapidly to start the profitable manufacture of promising products, articles of fashion, for example, without affecting adversely the long-term investment program of the enterprises. Of course, the business will pay only if during the period of the lease there is the prospect of significant profits and a secure market. It would help a great deal, and we are holding discussions on this, if a joint financial leasing enterprise were established with foreign partners for conducting the transaction. At the same time, such an enterprise could also organize the leasing of Hungarian machinery abroad.

[Question] It is already the second year that the MKB is extending credit for the production of export-expanding commodities. Have you been given a free hand by the National Bank to judge the requests?

[Answer] Under 13 million forints we make our decisions independently. In loans exceeding that amount we consult with the National Bank. The conditions--interest rate, expiration time, and economic indicators--are in accord with National Bank credit loans.

Linked Transactions

[Question] Besides the Hungarian National Bank, your bank and the Central European International Bank also grant loans to enterprises. Do the firms avail themselves of making a choice?

[Answer] I have already indicated that for the time being our authority moves within certain limits, and our credit budget is also rather limited. For this reason, we cannot do too much advertising. But still, many firms turn to us. Now we can support only the outstanding economic applications.

[Question] The complaint is frequently made that it takes an excessively long time before an application results in money. How long does it take the MKB to make a decision?

[Answer] It takes a maximum of 30 days if the application follows the instructions. We help in particular the small and medium size enterprises which are only now starting to export to fill out the forms in a competent manner.

[Question] Beginning this year, the bank has been extending forint credits in certain areas. Does this possibility change your business policy somewhat?

[Answer] We can continue to support with forint credits those foreign transactions we helped establish and nurture. An example of this is the recently modified export main enterprise system in which we participate with working capital credits both at home and abroad. In my opinion, the development of this extremely important branch of business is hindered by the fact that in Hungary we have not as yet developed the flexible primary contracting organizational forms which correspond to the so-called engineering offices abroad. Thus credit does not solve everything, but undoubtedly we can help enterprise undertakings.

Credit in Forints

[Question] The present foreign economic situation is not favorable to commercial and related financial programs. How can a Hungarian commercial bank bridge the difficulties arising from this situation?

[Answer] The economic crisis is regularly retarding economic relations, and marketing possibilities are being narrowed. Regression is taking place as compared to formerly freer commerce, and most countries buy only from those to whom they can sell. Once again, emphasis is being placed on the so-called linked transactions, or various forms of offset transaction. This is still playing an insignificant role in Hungerian foreign trade. But according to our experineces its importance will increase in the 1980's. Not only developing countries but also the large capitalist firms are linking export and import transaction more and more often.

[Question] One of the disadvantages of linked transactions is that it is difficult to find the appropriate offset purchases.

[Answer] In such cases the MKB is of assistance to both the producer and the foreign trade organization. For example, it undertakes the buying up obligation and coordinates the transaction through the importers. Offset purchases of foreign soft-drink concentrates (Coca-Cola, Pepsi-Cola, and so forth) already count as traditional offset purchases. Less well known are the transactions related to the purchase of computers where among our partners are such well-known firms as Siemens, the ICL and CII-Honeywell Bull. We would like primarily to encourage the export of Hungarian machinery with offset purchases. Our efforts in this direction have been recently most successful in such distant markets as New Zealand and Uruguay.

[Question] Events in recent years have thoroughly turned the financial world upside down. How does the managing director of a Hungarian foreign trade bank see the present situation of the world economy?

[Answer] If I had to answer that question with one word, I would say gloomily. I do not agree with the optimistic forecasts of the foreign business-cycle research institutes, according to which a recovery will occur in the capitalist countries in the second half of the year. In my view, the crisis will continue to worsen and could easily develop into a deep financial crisis. The financial situation of the developing countries is particularly critical. We need a comprehensive debt arrangement for the developing countries and a positive international financial unity in place of what exists at present.

6691
CSO: 2500/198

COMPETITION PROMPTS TRADE PRACTICE PROBLEMS

Budapest FIGYELO in Hungarian 7 Apr 82 pp 1, 7

[Article by Dr Emil Varga: "Rules of the Game"]

[Text] The economic competition is perking up in Hungary these days. We can at least expect broader development of the competition with the initiation of the new economic organizational formats (small enterprise, subsidiary enterprise, small cooperative, industrial and service cooperative speciality group, economic working partnership, etc.) and with the breaking up of the earlier major enterprises and trusts.

In economic competition, enterprises react more sensitively to the not entirely correct behavior of their competitors. But how far along are we with the legal regulation of improper competition? And, after all, how many people know in Hungary today what improper competition really is? Law No 5 of 1923 dealing with unfair competition, retained on the books on its merit, contains the regulations which can be included under this heading. This was needed because of our contacts with foreign countries, but our country's joining the Paris Union Pact also justified it, since the union's countries were obligated to provide effective protection against unfair competition. The fate of the 1923 law in this country was the same as that of the economic competition, that is, in the direct planned economic system it lost its practical meaning. In the post-1968 years when there was some economic competition in certain areas, the courts had to make decisions in a number of suits brought because of unfair competition. As the fervor of competition died down, the number of suits also decreased.

Under the present circumstances a newly created statute would undoubtedly be more suitable, even though there are no obstacles to using Law No 5 of 1923, either. This is so because the law contains concepts such as decency in doing business, or good morals, which are also applicable under the present circumstances. This can be said especially about the section according to which business competition must not be conducted in a manner contrary to business fairness or in general, to good morals.

Business Secrets

Among other things, the law forbids the disclosure of business or shop secrets, or their unauthorized use. This order must be mentioned because a phenomenon can be noticed nowadays which is close to what the law prohibits. In a number of cases, the employee of a trade enterprise looks to the manufacturer not only for the products being made for him but also gathers information about products being made for the competing enterprises. During the course of doing so he gathers information about the material, color and price of the products, that is, obtains information on topics of outstanding significance in economic competition. That is, there can be no doubt that the use of these data is unauthorized, nor that the data are being used for purposes of economic competition. There can be debate only on the issue of whether the data concerning the individual products constitute business secrets. If so--because the right of evaluation and decision in this question belongs to the affected enterprises--then their unauthorized use for the purpose of competition qualified as unfair competition.

Much is being said nowadays about soft competition, and in connection with it, about the shortcomings and lack of legal regulation. (See: FIGYELO No 50, 1981). We also had occasion to read recently that the head of a research institution working on computer technology forbade its employees to be members in civil law partnerships. Issuing this prohibition took place not expressly to protect the software but in order to prohibit the use elsewhere of the information obtained. In this respect, the regulations of the statute prohibiting unfair competition are too generalized, and thus are not sufficiently suitable to protect the software. This is so because steps can be taken against an outsider only if it can be proven that he knew that the software which constitutes a business secret was given to him in an unauthorized manner. It would be improper to enter into an argument with the expressed viewpoint, but there can be no doubt that as long as there is no specific legal regulation to cover software, the opportunities provided by Law No 5 of 1923 must be utilized.

Advertisements promising figts for the customers, or the opportunity to take part in drawings, in some cases with very valuable prizes, can also be mentioned as examples. Gifts given at the time of purchase are beginning to become popular in private retailing also, since advertisements have been seen indicating that the private retailer is promising gifts for his customers. Gift-giving can have disadvantageous consequences to the competitors as well as to the consumers, and because of this there are limiting regulations in effect in the various countries concerning the giving of gifts to shoppers.

Look at the Teeth of a Gift Horse, Too

For example, France has a law which almost completely prohibits gifts to shoppers. Therefore, here only gifts of minor value and of similar character to the object of the purchase, and not significantly affecting the purchase price, can be given out. In the FRG according to a judge's decision gift-giving may be employed as advertising only if it is aimed merely as an attention-getter and does not want to replace the competition attaching to performance. The character of

the domestic regulation is also similar. One essential viewpoint in it is that the gift should not divert the buyer's attention from the essential characteristics of the merchandise purchased, and should not serve to cover up the faults of the merchandise.

Giving lottery tickets to customers and holding drawings began to spread in the 1970's and is becoming more and more general practice nowadays. Considering the many types of lottery possibilities and the large value of the prizes, it appears tha the enterprises in their advertising activities attribute great significance to lotteries. This cannot be considered the best solution, as appears from the position taken by the Ministry of Domestic Trade, published in 1973. According to this, the best method for increasing sales is high quality of merchandising work, especially offering appropriate merchandise in conformance to the demands of the consumers, for example.

One also cannot agree with the issuing of lottery tickets for high-value prizes because it surpasses the framework of practical advertising, and is of a lottery character. But not everyone takes this position seriously, because lotteries where the prize is a car or a trip to the Far East obviously exceed the framework of usual advertising. Apropos, the same viewpoints are in effect in connection with the prizes as with the gifts.

Before the liberation, judicial practice also considered it contrary to fair business practices to engage in competition based on the exploitation of the desire to gamble.

Fellow Competitors

Rather limited experience can be filtered out of the relatively small number of law suits filed in connection with unfair competition. This circumstance is also reflected in the legal literature and both the comprehensive works and the shorter articles published in connection with unfair competition, are describing only a few domestic examples. These are quite old, and are generally from the late 1960's or the early 1970's. This situation can also be explained by the fact that in the years mentioned, unfair competition was a frequent topic in the legal literature, but this cannot be said about the recent years.

Of course, it would be incorrect to state that nothing was said about unfair competition in recent years--as books were also published dealing with the topic--but due to the small number of cases which occurred, there was no significant interest.

The right of competitors to sue is worth emphasizing with respect to acts contrary to the rules of fair competition. All enterprises with the same or similar profile can be considered competitors, inasmuch as they can be considered interested in the business competition for the markets or with respect to other circumstances. Thus, in the sense of the statutory regulations only competitors are given the opportunity to take advantage of the opportunities provided byt the law. That is, to sue if they consider the activities of other enterprises

injurious to themselves. It seems that the regulations concerning unfair competition protect competitors, but indirectly they serve the interests of the customers, the consumers. It is necessary to emphasize this because there have also been examples in practice where the court rejected the suit because the quality as a competitor was not present.

Differentiation must also be made between those cases to which the 1923 law applies, and those for which there are other statutory regulations. The 1969 trademark law is one example of this. (This regulates the listed trademarks and defines, among other things, the conditions of trademark protection.) In contrast with this, Law No 5 of 1923, beyond the format of the trademarks, also provides protection to recognition marks and merchandize markings which are not covered by the effect of the trademark law.

With Borrowed Name

Thus the attention of the newly forming economic organizations must be called to the above-mentioned regulations, warning them to pay attention to the statutory prohibitions when chosing a name. But in the use of a name other statutory regulations must also be taken into consideration in addition to the ones mentioned above. Thus, for example, in the suit heard by the Capital City Courts, the plaintiff enterprise in the Hungarofruct vs. Interfruct case referred to the trade law written in 1875. Section 17 of this contains the provision that "each new firm must clearly differ from other firms already existing in tne same locality or in the same town entered into the record of business firms."

The plaintiff firm further referred to the fact that its business name is a trademark registered in several countries. This is how it happened that a legal writ was received by Hungarofruct from the FRG in which they requested information on whether or not Interfruct was a subsidiary of it. The case described is an educational one, among other things also because it can be seen from it that in chosing the name of an enterprise the regulations of several statutes must be considered.

Another case was also in the courts in recent years because of the unauthorized use of a name, and with reference made to Law No 5 of 1923. Plaintiff found out that the respondent, a cooperative formed by the merger of several industrial cooperatives, selected the trade name Csaba Clothing Cooperative. Plaintiff found this identification identical with its own name--as already registered earlier--and thus contrary to its rights to the use of the name. Therefore it sued. In its defense, the respondent asked that the suit be dismissed. It did not argue that it took on the trade name in question later, but denied breaking the law by doing so because the two names are not identical, according to them.

Apart from the first name Csaba in the business names, the names of the litigants recognizably differ from each other, thus there is no basis for finding that the use of the name breaks the law. And since the parties are producing different products (rugs, and clothing items, respectively), the possibility of unfair competition is also nonexistent. The first court in its judgment prohibited the defendant from using the disputed name. According to the justification

of the decision the parties are performing their activities in the same geographic area (in Bekescsaba), and their spheres of activity are in the same general group of industries. The names of the two parties can be considered identical because the words following the designation Csaba merely explain the spheres of activities of the parties. On these basis it was found that by taking on the name Csaba and using it, defendant did break the law. (The Supreme Court also agreed with the decision and rejected the appeal.)

The Department Which Left

One more suit must be mentioned from the ones in the courts in recent years because presumably similar onces can also be expected in the future. In the case in question, the repair department of an enterprise based in Budapest had split off, and continued its activity as a department of a producer cooperative headquartered in the provinces. The head of the department knew the customers of his previous enterprise and sent invitations to them to establish business relations with him. In this invitation he informed them from which enterprise the unit which is now operating as a department of the producer cooperative had split off, and what repairs it accepts. Unquestionably, the procedure and method qualify as unfair competition and this circumstance cannot be argued by anyone. It is hoped that with the spread of the new economic organizational formats the newly created economic operating organizations will not use similar methods. Let business competition be fair, and let reaching this goal be both a social and individual desire.

8584
CSO: 2500/206

SHORTAGE OF PARTS CONTINUES TO PLAGUE AGRICULTURE

Budapest MAGYAR HIRLAP in Hungarian 31 Mar 82 p 7

[Article by Ivan Gador: "From Distributor to Seller"]

[Text] At harvest time last year the country was full of cursing (no one was in a good mood anyway because of the more modest wheat crop). Machinery stranded at the edges of fields and in the shops really angered those working in agriculture. Yes, the machines were idle (more than they should have) because there were no spare parts. Answers which could not exactly be called reassuring were given to the annoyed questions--because only this kind could be given. That is, the manufacturers of agricultural machinery did not even placate the Hungarian agriculture with promises. Only the general manager of a foreign firm promised 100 percent solution of the spare parts problem; perhaps because he knew that as of 1 January 1982 he would no longer be the head of the enterprise.

Seller's Market?

It is spring again, a time to review the machinery. And the heads of agricultural operations cannot rest easy this time, either. They have sent in their orders. But the amount and mainly the kind of machinery and spare parts will be far from what they would have liked. The versatile and useful 50 to 80 hp MTZ tractor is a shortage item, the smaller combines from the GDR are only a dream of desires for many, and there is not enough of the larger ones, either. On the other hand, the Soviet SZK [SK] combines are available; they have worked out well for Hungarian agriculture, but only those farms producing 4-5 tons of corn per hectare can use them successfully. Of course, there is a good number of such farms.

The desirability of lower capacity machinery has increased again. Eight or nine smaller MTZ tractors can be purchased for the price of one big Raba tractor, while the Raba's traction power is only three times that of the MTZ. And nowadays in most of the agricultural operations decreasing production costs is a question of survival. But such concepts must be handled carefully. A study was made in one of our major grain producing megyes about the spare parts inventories of the agricultural operations. The result is: the operations on the average have accumulated 4 million forints' worth of spare parts. This is really a significant item of financial burden. One does not need too

much imagination to find the reasons for this apparently irrational hoarding of inventories. A chronic shortage situation will give rise to such behavior.

That is, it appears that the problems have not changed. The question is whether the reorganization of agricultural machinery sales, and elimination of the AGROTROSZT [Agricultural Supply Trust; now defunct] will bring about any meaningful changes? Elimination of the trust with nationwide authority performing the function of distribution was truly timely; commerce will presumably do a better job of distribution, even if the seller's market--about which a "competent person" has recently made a statement--is not mentioned at all.

In the new system about 50 enterprises and organizations handle the sales of machinery and machine spare parts. The newly formed AGROTEK Enterprise is the importer as well as the domestic broker. Or, in the alternative, all sales enterprises may also directly contact the domestic manufacturers.... In connection with this, the general manager of one of the domestic industrial "giants" said this: "I trust that the newly established dealers will learn to coordinate their interests and ideas as soon as possible. Because if they do not learn to do it, we will have to teach them, like it or not." This is how a seller in a monopolistic situation talks. Obviously they do not need to moralize over the remark, but the more than 50 dealers will have to adjust themselves to the fact that this is how things are.

[Inscriptions on Figure: the bull: "Agriculture's Needs".
bullfighter: "Commerce"]

This is so because in this country as well as the other socialist countries machinery and chemical fertilizer manufacturers continue to be in virtual monopoly positions. And this--even if we are glad to see some changes--determines the supply of machinery, chemicals, spare parts and service. Even though the manufacturers know here as well as in the neighboring countries: when they set up their production programs their eyes must be on the users--this is the modern thing to do. But the rest of it is dead silence. Due to the lack of competition there is no compelling economic force. Only promises at best. The new general manager of a firm in the GDR promises that the situation will improve in 1983-84; by then they will be producing less end products and more spare parts. The Raba and the many dealers are arguing. The factory says: they are producing, or would be producing enough if the dealers would place orders. The dealers would order more if they produced it. The truth must be sought somewhere else.

There Are Ideas

"Do it yourself, sir, if you have no servant" [Hungarian proverb], says Jozsef Karpati, general manager of the newly formed AGROTEK. And he makes deals with agricultural machinery enterprises and with the side business branches of TSZs [producer cooperatives]. They are producing spare parts in this country in the total value of 900 million forints; they get old tractors disassembled and rejuvenate the parts that can be reused from them. And the new general manager also buys new MTZ tractors. He offered all kinds of

agricultural machines made in Hungary to the Soviet foreign trade, and requested an additional 1,000 MTZs in return for them. The contract will be signed in a few days. This is the way it should be. Griping that the supply of machinery could be better is not enough; that there is not enough foundry, forging and other semifinished product manufacturing capacity in this country. We need ideas. Just because there will be 50 dealers this year selling machinery and spare parts, there will be no more machines nor more spare parts, nor more capacity in the support industry.

The situation is somewhat more reassuring on the chemical fertilizer and plant protection chemicals front. Over-all there are enough of both, even though the popular plant protection chemicals continue to be available only with proof of rational use. Supply exceeds demand in chemical fertilizers; 20 to 30 percent price discounts are being given. Now! And why now? The farms have already placed their orders for their spring needs last year, and these are being sold to them at full prices. Of course, one should not worry about agriculture because resourceful people are managing the farms. One after the other, the farms are cancelling their orders at AGROKER and placing the same orders at discount prices with the TSZKER [Producer Cooperative Supply Enterprise] or in the neighboring megye.

And it is actually a good thing that the farms can do this. It demonstrates that multichannel commerce is already working. Hopefully in the future it will have many good tools serving agriculture to make its work more successful. Price discounts, guaranteed services, customer service and many other things which were rare or poor quality guests in the agricultural machinery sales of the recent era.

Forgetting the 'Basic Numbers'

The situation is a bit different in the case of AGROTEK--and this is the definitive enterprise. It has no competition. If it wants to duplicate the profit levels of AGROTROSZT, its legal predecessor, it does not have much of a choice. Last year the trust's inventories were low and sales were high. This year also they could sell a good 9 billion forints worth of merchandise, the demand would be there for that much. But--this is what this "seller's market" is like--, they will do well if they can obtain 8 billion forints worth of merchandise from the manufacturers. That is, the sales cannot be increased. Of course, there are other ways to increase profits: like AGROTEK not giving price discounts, being tightfisted in dispensing guarantees, and right off they are in the money. Can it do that? No doubt it can. It is in its interest.

Of course we hope that this is not how it will be. If the heads of the new enterprise do not have to rivet their eyes on last year's "basic numbers," then in their properly interpreted long range interests also they can develop a healthy market policy which is also in harmony with the interests of the agricultural operations. Whether it will be this way or not, will be clear by the end of the year.

8584
CSO: 2500/209

OBODOWSKI URGES REDUCTION OF DEPENDENCE ON WEST

Warsaw TRYBUNA ROBOTNICZA in Polish 22 Mar 82 p 3

[Interview with Dr Janusz Obodowski, Deputy Chairman of the Ministry Council and Chairman of the Ministry Council Economic Committee by Jadwiga Korzeniowska]

[Text] [Question] We have entered the first stage of the economic reform. It is an especially difficult and complicated period because of the state of our economy. At times we seem to be surrounded by chaos.

[Answer] The period is difficult mainly because of our economic crisis, not because we have entered the first stage of the reform. The crisis goes back to the 1970s, to the worldwide recession of 1973-74 and bad economic decisions at the time, but it has gotten worse as a result of the events between July 1980 and December 1981. The overnight reduction in work hours, an imbalance of wages and productivity, widespread violations of work discipline, anarchy, attempts to return to the nineteenth-century free market capitalism--yes, indeed, we lived in a chaos. We are now emerging from the chaos. But it is not easy. Many problems are new. Faced with the reform, especially a change into independent and self-financing enterprises, everyone must learn what to do. The enterprises feel a burden of independence. But it is a two-way street. The enterprises are independent, and yet they are dependent on others which are individually also independent. Now they all have a considerably better chance for turning a profit, but at the same time poor productivity will have even more drastic consequences than before. The enterprises can no longer count on the authorities to bail them out. They have to learn how to survive.

[Question] At present, with the shortages especially of imported raw materials, the independence of the enterprises is limited.

[Answer] But not as much as it could have been justified by the crisis or trade and monetary restrictions imposed by Western countries. The limitations on the enterprises are also a result of the centralized allocation of basic materials and raw materials, and of the assignments stipulated by the so-called 14 operational programs. As the flow of raw materials and technology improves, those limitations and compulsory assignments will be gradually removed. But for many enterprises this new situation will be a true test: Can they survive under new economic conditions?

A positive answer to this question will depend on economic effectiveness: Work productivity, full utilization of raw materials and other materials, energy conservation, improvement in the quality of manufactured goods, and individual initiatives and inventiveness. An enterprise where the management pushes paperwork and employees write petitions to the company headquarters will soon be out of business.

[Question] What is the major obstacle to the success of the economic reform? Our stormy reality has undoubtedly imposed various revisions on the earlier economic decisions. After all, flexibility is said to be one of those valuable characteristics that make for an efficient government.

[Answer] The economic reform is a means, not a goal in itself. The reform is meant to accomplish only one thing, that is, to bring about a radical improvement of our economic efficiency, to restore effective economic development. This is to be achieved in two ways: Through a system of incentives for enterprises and their work forces, and through structural changes in the economy, that is mainly through establishing new social and economic priorities. After all, we are interested in providing enough food and apartments and in production profitability. Our success depends mostly on proper motivation. Objectively speaking, we have almost everytying necessary to recover economic balance. We have a well-educated society with necessary job skills. We have considerable natural resources. To be sure, we do not have every natural resource, but we have considerably more than, for example, Hungary or Switzerland. We have a large and still relatively up-to-date production potential. On the other hand, we have tremendous debts and increasing difficulties in purchasing basic supplies in the West. In the 1970s, we were maneuvered into a situation whereby our industry became considerably dependent on Western supplies and technology. We need time and a great effort in terms of organization, research, and development in order to restructure our economy, and to establish closer cooperation with our allies and partners in the CEMA. All of this can be accomplished if there is motivation to work, as well as more rapid and effective research and development which would allow us to transfer to our own technologies and to the technologies used in the CEMA countries.

We should be able to see an improvement as early as this year although it will be off to a slow start.

[Question] What economic aid can we expect from the Soviet Union and our socialist allies? During the economic blockade imposed by the capitalist countries which used to be our most important partners, and without additional aid from our socialist allies, it will be difficult to overcome our political and economic crisis.

[Answer] I will mention two things. First, we are receiving direct aid, including means of production and manufactured goods, either on credit or, in some cases, as nonrepayable loans. This aid is very helpful, but it will not last forever. We cannot and should not expect our partners to play good daddy at the expense of their own people. As our government said in the summer of 1981, no one is going to support a nation of 36 million. Nevertheless, as part of the aid, we receive many necessary items, for example, some raw materials, grain, various foodstuffs, and toiletries.

But in the long run, it is more important for us to expand our cooperation with our socialist allies. This cooperation should include:

--Direct cooperation between enterprises, which will allow for increased specialization and extended production. Consequently, it will increase the production range and improve the utilization of production potential.

--Processing of raw materials and other materials, supplied by our allies. Some of the manufactured goods will be returned to the supplier, and some will be retained here as payment for the processing. During the next several days, our chemical and textile industries will begin this kind of processing service.

--Joint investments in Poland (especially those involving a joint completion of construction projects which had to be suspended because of limitations on investment spending) and in the Soviet Union where we will participate in the construction of mining installations in exchange for raw materials for our industry.

--Shipments of parts and components to Poland, which are necessary to complete important export commitments in our trade with the Soviet Union, including export of ships.

These actions, undertaken jointly with the socialist countries, especially the Soviet Union, should facilitate the rebuilding of our economy. We will also limit our dependence on the Western countries. As it turns out, some of those countries strive to turn economic and monetary policies into a political weapon.

[Question] One could say that a great deal is being done to improve the economic situation of the country, but public opinion still does not have a complete picture of these endeavors. How do you evaluate the news media coverage of economic affairs? It is a fact that wrong interpretations of phenomena and processes produce rumor and hearsay which may lead to serious social perturbations.

[Answer] I would prefer not to act as a judge of the mass media. I can merely suggest what I consider the basic role of the mass media.

First, I see them as a means of providing economic know-how which is still at a low level in our society. I am talking about knowledge of general economic laws, concrete facts including the socioeconomic situation of our country, international relations, etc. Unfortunately, there are still many shortcomings in the coverage of these issues. Some problems arenot presented clearly enough. One of those problems has to do with minimum wages and benefits which can be used only as a general guideline for socioeconomic policy, not as the guaranteed minimum for everyone with no relation to one's individual qualifications and productivity. Sometimes our reporters do not have the necessary capabilities or perhaps are not even willing to refute widespread myths or false beliefs. According to those myths, the gap between salaries is too great in Poland, and salaries of government officials are excessively high, while

in fact we are becoming a country of the most leveled salary structure in Europe. And the wages of a bus driver or a PGR [State Farm] foreman are equal to or higher than the salaries of high administrative officials. Making extreme generalizations, based sometimes on false information, is another frequent trespass, as in the case of the news story about men's suits from a Cracow factory, allegedly priced at 12,000 zlotys each.

Moreover, news should be interpreted in a trustworthy manner. The news media should earn the trust of their audience, telling them the whole truth, avoiding cheap sensationalism and easy popularity.

Second, our economic policymakers should present basic problems in their areas, and they should answer people's questions and clarify their doubts. In my opinion, radio and television broadcasts on price increases and salary supplements, aired in recent months, were a good example of the programs I have in mind.

Third, the news media should be a place where public opinion could voice its views, where people would feel free to discuss problems of economic policy from various points of view. This is very useful for both our economic policymakers and for the society. Consequently, I regret that during the past weeks there have been no more television debates of economic issues.

[Question] There is, you would agree, a dangerous belief. It is a widespread and groundless conviction that whether or not human needs and aspirations are satisfied depends only on the whim of the authorities and has nothing to do with work productivity. Incidentally, this belief was systematically and deliberately fanned by Solidarity leaders and many of the union advisers. These are the facts.

[Answer] It is enough to recall the problem of shorter work hours, accompanied by increasing wages; protests against all price hikes and demands for increased supply of goods to the market; the problem of working Saturday shifts in coal mines and demands for a full supply of coal and electric energy. Partially responsible for this state of national awareness is also the naive propaganda of the 1970s, which on every occasion spelled out that "the state provides," "the state subsidizes," or "the state will take care."

This dangerous development can be overcome in two ways. Either all of us--the administration, reporters, economists, economic policymakers--can convince the society that an economic recovery is possible only when productivity improves. Or the society as a whole will find out the hard way that there is no playing with economic laws. There will not be more goods on the market and they will not be cheaper if there is no increase in productivity and production. Printing more money is not going to feed the people. Philosophers say that nature is cruel, but not malicious. The same may be said about economic laws. If we will learn to use them, the situation will improve faster than we might expect.

[Interviewer] Thank you for the interview.

9852
CSO: 2600/478

BASICS OF 1982 SOCIOECONOMIC PLAN PUBLISHED

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 1, 8 Feb 82 pp 38-41

[Article by Alfred Musial: "Basic Assumptions of the 1982 Central Socioeconomic Plan"; portions within slantlines published in boldface]

[Text] The 1982 plan emerged under special conditions. Economic results in 1981 remained under the influence of a deepening crisis. National income dropped sharply by about 14 percent, industrial production by about 13 percent, and production of a number of basic raw and other materials and finished products has dwindled. Of crucial importance here is the drop in coal production to 163 million tons, i.e., 30 tons lower than in 1980. And so the start toward implementing the 1982 plan was exceptionally difficult. It was accompanied by a good deal of uncertainty concerning the final form of the many basic premises of the plan and socioeconomic factors. The plan also had to take into consideration the changes introduced in the economic model and the function of enterprises as a result of applying economic reform. In this situation, there was no want of people in favor of postponing the preparation of the 1982 annual central plan to a later date, for example, after the completion of the first quarter of 1982 when there would be fewer unknowns and the central planning aparat would have much better and more certain information resources. Other views and opinions, however, prevailed in the end. A decision was made to complete the preparation of the 1982 plan on the assumption that even postponing the scheduled time for the end of the first quarter would not decide beforehand the forming of many of the basic variables; for example, the amounts of foreign credits, and hence import capabilities of the economy remain an open question practically until the end of the year. Postponing the preparation of the plan also has some negative consequences and leads to a fortuitous dispersion of decreasing resources. In this situation, it was /decided that the 1982 plan would be prepared in two variants:

/I--envisaging a check of present falling trends, stabilization of the economy and initiation of a start in some areas of the economy. This variant foresees a 1 percent increase in industrial production and total agricultural production at the 1981 level.

/II--this is a more ambitious variant which foresees the country beginning to get out of its economic crises. It is characterized by a 4 percent increase in industrial production and a 1.5 increase in total agricultural production./

This plan was prepared at the Planning Commission at the Council of Ministers with interested ministries participating between November and December of last year and then ratified by the Council of Ministers on 11 December 1981.

The declaration of martial law in Poland, although it brought along with it a number of new facts and phenomena, did not change the fundamental conceptions of the central plan for 1982. Hence, these conceptions continue to remain topical.

/The 1982 Socioeconomic Central Plan contains three parts:

/a forecast-information/ part containing estimates of the basic amounts comprising all aspects of the economy, forecasts of production as well as industrial results, agriculture and other activities of the national economy, forecasts of labor and employment, changes in the foreign-trade situation and in the domestic market, as well as the balance of the most important fuels and raw and other materials.

/a decision/ part that contains central decisions comprising all aspects of the economy dealing with central investments, the development of education, culture, health care and social expenditures. The decisionmaking part of the plan also defines the goals, tasks and means of implementation of operational programs.

/a part defining the economic instruments and mechanisms in the functioning of enterprises;/ moreover, the basic principles in the functioning of enterprises in 1982 comprising the essential part of the plan have been defined in the resolution of the Council of Ministers on 30 November 1981, and subsequently modified by Resolution No 278 of the Council of Ministers of 30 December 1981 in the matter of the functioning of the economy in the time of martial law.

Estimates of the basic amounts comprising all aspects of the economy accepted in the 1982 plan in the area of industry, agricultural and food economy, foreign trade, investment and the domestic market are as follows:

Industry--Checking the Drop in Production

The fundamental task in the sphere of industrial production in 1982 will be to check the trend of falling production and, then, to bring about a certain increase in industrial production. At the same time, structural formations in production, having as their goal a better adjustment of goods produced for the needs in implementing socioeconomic priority goals, would be achieved.

The quantity of industrial production would be formed under the influence of three main factors: labor time, supply of raw and other materials, and the quantity of imported resources. In 1982, the factor of production will be a less important check, set forth, as it is, in precisely defined operations. The more frequent phenomena will be the incomplete utilization of production capabilities because of the lack of supplies. This will be especially true in the electromachine, light and chemical industries. In this situation, the

dimensions of production will depend on the effectiveness in utilizing the remaining resources at hand.

The key problem in industry will be structural transformations enabling an increase in the production of goods for satisfying the needs of operational programs that have been undertaken. Of essential importance here will be an increase in the production of production resources for agriculture and food economy, as well as for clothing and footwear. A 14 percent increase in the production of machines, agricultural equipment and tools is contemplated, and about a 10 percent increase in the production of wheeled tractors; drugs, about a 15 percent increase; laundry detergents, a 7 percent increase; soap, about a 12 percent increase; clothing and footwear for children, in the range of a 10 to 20 percent increase.

The proposed structural changes, indispensable from the point of view of implementing the plan's social goals, also have some definite negative effects. These changes particularly concern the need to limit significantly, and in extreme cases to stop, production of an investment nature (machine tools, railroad cars), durable goods of a high import-intensiveness (electronic household goods, refrigerators, washing machines, passenger cars) and consumer goods, light and chemical industries (clothing, especially for adults), and the like.

Amount of Industrial Production

	Variant I		Variant II	
	1982	1982 / 1981	1982	1982 / 1981
Fuel and energy				
Hard coal /millions of tons/	170	104.6	175	107.7
Brown coal /millions of tons/	38	104.1	38	104.1
Coke from hard coal /millions of tons/	17.6	98.5	17.7	99.3
Refining of crude oil /millions of tons/	12.5	90.9	13.4	98.8
Electrical energy /billions of kilowatt-hours/	116	101.8	118	103.5
Basic raw and other materials				
Rolled products /millions of tons/	10.2	94	10.5	96.8
Copper /thousands of tons/	320	96.4	330	99.4
Cement /millions of tons/	16.2	114.1	16.2	114.1
Coniferous timber /millions of meters^3/	5.3	101.7	5.5	105.6
Paper /thousands of tons/	977.6	107.1	977.6	107.1
Sulphur /millions of tons/	4.8	101.3	4.8	101.3

Two Basic Phenomena in the Food Economy

Two basic phenomena will shape the situation in the food economy in 1982:

--a significant reduction in the number and production of livestock in 1981 caused by the 1980 crop failure of basic crops, especially potatoes and grain;

--a limit on imports of raw materials and agricultural goods resulting from our country's payments situation overall.

In 1981, relatively favorable results were obtained in crop production. From the point of view of domestically produced fodder stocks, there was a chance of checking the falling trend in animal production in the 1981-1982 economic year.

In 1982, however, it will be necessary to reduce the supply of concentrated fodder from state stocks because of a lack of resources for grain imports and the low procurement of grain from 1981 harvests. A factor in alleviating the drop in the supply of fodder from state stocks will be an increase in fodder stocks of private farmers. It is not possible, however, to compensate for the loss of fodder for poultry farms, based predominately on imported fodder. On the basis of our present discernment, it is estimated that poultry production in 1982 may be reduced by about 250,000 tons.

There will also be a significant reduction in farm production of eggs. This causes a large reduction in the production and deliveries of poultry for supplying the market. Consequently, it will be necessary to have an appropriate /adjustment made in the sales system for the reduced stocks of meat./ And so the problem of reducing meat allotments for the people is emerging. There exist two possible solutions to this problem: first, by way of a negotiated reduction of ration-card allotments (experience up to now has shown such decisions difficult to implement); and second, through a free movement (increase) in prices leading to a balance in supply and demand. The second solution would be preferred.

Manysided activities have been undertaken in favor of /increasing the supplies of production resources for agriculture and the food industry./ Of real importance will be the supplies of fertilizers and pesticides, as well as machines and equipment, i.e., resources that are vital for the productivity of the land and minimization of losses.

To ensure the implementation of this goal an operational program has been worked out that deals with supplies and management of mineral fertilizers and pesticides, as well as supplying agriculture and the food industry with machines and means of transportation, spare parts, storage batteries and tires. The consumption of mineral fertilizers and pesticides has been increasing in 1982. Due to this, it will be possible to obtain under average conditions an increase in yields up to 29.6 q/ha (in units of grain) against the average yield of 28.5 q/ha obtained in the years from 1977 to 1981. In machine and equipment supplies, special attention will be concentrated on the improvement in supplying private farms with cultivators, spare parts and tires, in particular.

Analyses of needs and capabilities point to the necessity for undertaking operations that will maximally increase the production and processing of milk as the cheapest source of animal protein. /A special operational program with the purpose of creating conditions for speeding up a solution to this problem has been worked out that is going to ensure proper conditions for the collection of milk from agriculture, rational management and utilization of protein and milk fat, as well as improvement in the quality of milk and milk products procured./ It is estimated that in 1982 milk production may increase up to about 15.5 billion liters, i.e., by 3.2 percent.

In the area of directing the food economy, the basic problem in 1982 is reestablishing economic ties between village and town. Its solution demands undertaking complex price resolutions encompassing the entire national economy.

Foreign Trade--a Big Unknown

The situation in foreign trade in 1982 has been characterized by exceptionally great uncertainty as far as the formation of external factors, an uncertainty that has appreciably deepened after 13 December 1981. In general, then, one has to assess the situation in foreign trade as an extremely difficult one.

The plan envisages exports to I payments area countries [socialist countries] in 1982 at 26 billion foreign-exchange zlotys,* which means an increase of about 6 percent compared with last year. In regard to imports, 30.7 billion foreign-exchange zlotys are being accepted against approximately 32 billion foreign-exchange zlotys according to anticipated goals. This means a negative goods balance with these countries in the amount of 4.7 billion foreign-exchange zlotys.

The total debt in relation to socialist countries will amount to 10.8 billion foreign-exchange zlotys at the end of 1982. This includes a debt increase to the USSR from about 5.4 billion foreign-exchange zlotys on 31 December 1981 to 9.8 billion on 31 December 1982. Together with the credits granted by the USSR in transferable rubles, our debt will increase to 14.8 billion foreign-exchange zlotys.

The starting point in defining the amount of exports in 1982 for II payments areas [capitalist countries] are, on the one hand, the payments obligations falling due this year and, on the other, the assurance of indispensable imports, especially supplies for the normal functioning of the economy.

---

*On the Polish National Bank's [NBP] directive, a uniform and elastic indicator (rate) of the zloty in relation to other currencies of both socialist and nonsocialist countries has been introduced (since 1 January 1982). The notion "foreign-exchange zloty," therefore, will disappear from our economic language. Nevertheless, in the 1982 plan, the foreign-exchange zloty has still been preserved, on the understanding that in preparing and implementing foreign trade quarterly plans, the current zloty will be introduced in accordance with the NBP's directive.

It has been accepted in the assumptions of the plan that obligations falling due in 1982 will be set just as they were in 1981, i.e., 90 percent of repayments of capital and interest from guaranteed credits and 95 percent of repayments of capital from nonguaranteed credits.

Taking into account that in 1982 it will be possible to obtain limited transactional credits, and envisaging as well Poland's return to the International Monetary Fund, and in connection with this the possibility of receiving from this source financial credits, goods turnovers with II payments area countries amount to:

1982 Exports 20 billion foreign-exchange zlotys
1981 Exports 108.1 billion foreign-exchange zlotys
1982 Imports 19.2 billion foreign exchange zlotys
1981 Imports 98.5 billion foreign-exchange zlotys

/The amount of imports in 1982 will, therefore, be dependent on our economy's export capabilities./ It is envisaged that the export of electromachine industry products will increase from 5.8 billion foreign-exchange zlotys in 1981 to 7.1 billion in 1982, i.e., by about 22 percent at current prices.

As regards imports, with the purpose of supplying industry with raw and other materials for production from imports, a decrease in capital-goods imports from 2.2 billion foreign-exchange zlotys in 1981 to 1.7 billion in 1982, and grain and fodder from 5.2 billion foreign-exchange zlotys to 4 billion has been set, respectively.

In connection with economic sanctions imposed recently against Poland by some Western countries, especially the United States, one should consider that even these reduced import tasks will be very difficult to implement.

Decentralization of Investment Decisions

In constructing the draft of the 1982 plan, variants of the national economy's investment capability were examined. This capability, in the aggregate, was determined in a basic variant at 423 billion zlotys, and, with a favorable turn in the processes of material production, at 430 billion zlotys.

The 1982 plan intends to carry out a diversified policy with regard to particular investment groups; moreover, in accordance with the principle of reform, investment decisions will be basically decentralized, and government guidelines will appropriately determine the amount and directions of investment.

The plan is intended to give /investments from the population's own resources/ the highest perferences. Both banks and voivodship and gmina [parish] offices, as well as units in the turnover of construction materials, are receiving a recommendation for the creation of conditions for developing, in particular, industrial construction on private farms and housing construction in the town and village. This should concern the assignment of construction sites, credits on convenient terms, as well as construction materials, where

an anticipated increase in production in relation to last year should be directed to the market, mainly the rural market. It is estimated that these operations should cause an 80-billion-zloty increase in the level of investment in 1982 (a 17.6 percent increase).

/Investments of voivodship offices/ are a very significant part of the whole plan (25.7 percent). All of housing construction was found in managing voivodship offices, together with land development and a decided majority of the investments in health service and education and agricultural investments (land reclamation, electrification, supplying water to villages). This area is defined for each voivodship by a comprehensive quota. The remaining unit decisions are left to agencies of local authorities with recommendations as to the directions of investments and the determinations in the area of the amount of budgetary subsidies designated for investment activity.

/Investments of economic organizations/ are the fundamental group of investments in which the most urgent needs for supporting and developing the material production base and saving raw and other materials, as well as liquidating coproduction gaps and preserving the environment, should be implemented. About 155.2 billion zlotys (36.7 percent of total outlays) could be designated for these investments. This group has the nature of being externally differentiated. It is envisaged the enterprises will have complete freedom in decisionmaking in the area of potential investment from private resources. It has been decided that in 1982 there will be, in principle, renovation-modernization and complementary investments in relation to existing fixed assets. It is anticipated that enterprises will be able, moreover, to obtain credit for quick-return modernization investments.

/Central investments of budgetary units/ remain the only sphere in the area of investment where the center will directly affect the scope of decisionmaking as well as the actual investment decisions. The plan foresees that it would be possible to assign 52 billion zlotys (12.3 percent of the total) to central investments. Only the largest enterprise, mainly in the sphere of a technical or social infrastructure, is accepted for the central investments group.

/The investment plan anticipates that in 1982 it will be possible to assign:

/127.7 billion zlotys of outlays/ (30.2 percent of the total) for the building complex against 26.3 percent in 1981. The construction organizations' task is to build from these resources the greatest number of dwellings;

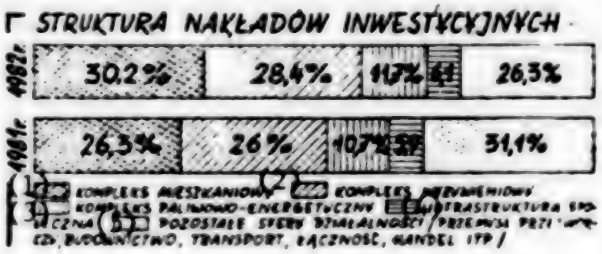
/120.1 billion zlotys for the food complex/ (28.4 percent of the total) against 26 percent in 1981 and 21.8 percent in 1980, with a concentration of outlays for processing and storage of agricultural products, the development of industries producing fertilizers and pesticides and machines and tools for agriculture, including the MFP tractor at Ursus. Implemented resources in agriculture should be concentrated on land reclamation and supplying the village and fodder farm with water;

/49.5 billion zlotys for the fuel-energy complex/ (11.7 percent of the total) against 10.7 percent in 1981. Outlays should be concentrated on the development and modernization of coal mining and the building of power plants, in particular, a power plant in Belchatowo;

/25.8 billion zlotys for the social infrastructure/ (apart from housing construction) (6.1 percent of the total) against 5.9 percent in 1981 and 5.7 percent in 1980, with a concentration on buildings for the health service and on education;

/for the remaining operations/ (processing industry, building, transportation, communications, trade and the like) 23.6 percent of the outlays against 31.1 percent in 1981.

The Structure of Investment Outlays



Key:

1. Housing complex
2. Food complex
3. Fuel-energy complex
4. Social infrastructure
5. Remaining spheres of operations (processing industry, construction, transportation, communications, trade, and the like)

Counteracting the Increase in the Inflationary Gap

In the domestic market, two opposing trends are sharply delineated. The first is increasing pressures from various circles and socioprofessional groups toward an increase in their monetary incomes, the second is the limiting of the possibility for increasing the volume of supply in market goods and services.

Present estimates of the size of the goods gap (amounting to about 300 billion zlotys) are based on the calculation of the results of financial decisions undertaken before the plan was ratified concerning wages and social benefits. Estimates are also based on the capabilities in the sphere of market supplies.

It is anticipated that the total amount of the populace's monetary incomes will amount to about 2,366,000,000,000 zlotys, i.e., it will increase by 279 billion zlotys (or over 13 percent) in relation to 1981.

In basic areas which decide on the amount of the populace's monetary income, the following increase is envisaged: payments fund by 9.3 percent; social benefits by 19.8 percent; farmers' incomes from the sale of products by 16.8 percent.

After deducting compulsory payments in favor of a state financial system and after allowing the setting aside of part of the incomes for monetary stocks, it turns out that /the amount of purchasing power the fund which the populace will earmark for the purchase of goods will amount to 1,817,000,000,000 zlotys (a 27.1 percent increase), while the amount of supplies of goods for the populace will amount to only 1.52 trillion zlotys (a 9.4 percent increase)./

Assuming a more optimistic course in economic processes, there can be an additional 10-billion-zloty increase in monetary incomes from the sale of agricultural products, and at the same time there is a 35-billion-increase in deliveries of goods for supplying the populace. In such a situation, the goods gap would decrease to the level of 272 billion zlotys.

One should, however, take into account the emergence of new income tasks, mainly in the sphere of wages and social benefits, whose implementation may significantly worsen the market situation and increase the existing goods gap. It is estimated that the financial results of introducing new solutions, which have been worked out way in advance, amount to about 200 billion zlotys.

In conditions of a growing disorganization of the market resulting from a surplus of money and a shortage of goods, as well as an incorrect ratio of retail prices, the 1982 plan envisages, in part, the following /actions for impeding the increase in wages and a liquidation of the goods gap:/

--price increases for food, heating fuel and energy, personal hygiene resources, and a tariff with a simultaneous establishment of compensations for the populace;

--increases in controlled prices by producers themselves to a level that ensures covering costs and indispensable profits for some basic market products;

--introduction of free prices on remaining nonfood consumer goods that balance demand and supply.

What has been presented above are the main points or basics of the 1982 socioeconomic plan accepted on 11 December 1981. The changes that took place after this date are multidirectional both in a positive and negative sense. In particular, one should include in the former group (positive) the increase in the production of fuels and raw materials and, especially, hard coal, which under our present conditions is of unusual significance for getting our national economy "moving." From socialist countries have come a significant increase in emergency economic aid and the assurance of favorable conditions in goods exchange in 1982, especially in the first half of the year.

However, unfavorable factors and phenomena have come into play. They are concentrated mainly in the area of politcoeconomic relations with Western

countries, the United States being the prime country. From an economic point of view, these relations lead to a limitation in the possibility of Poland obtaining foreign credits and, as a consequence, a decrease in imports from these countries--mainly purchases of grain and fodder but also raw materials and coproduction parts indispensable for industry.

In the long run, the implementation of the tasks and quotas are decided by external factors, such as the effectiveness of the principles introduced in the functioning of the economy, the consolidation and cooperation of work crews at places of work in overcoming the economic crisis in our country.

9866
CSO: 2600/414

NEW MEASURES FOR ECONOMIC REFORM REPORTED

Consultative Economic Council Formed

Warsaw ZYCIE WARSZAWY in Polish 2 Apr 82 pp 1, 3

[Interview with Prof Czeslaw Bobrowski by Henryk Chadzynski: "Consultative Economic Council -- ZYCIE WARSZAWY Talks With Prof Czeslaw Bobrowski"]

[Text] [Question] Once again you are chairman, Professor, and once again you are organizing a group of experts afresh, this time in the form of a Consultative Economic Council. Is this a socially constituted group or does it also have on it experts who are nominated to it? Perhaps you would like to explain to us in passing just what the nature of this group is.

[Answer] This is a nominated body. It is composed of persons appointed by the premier who have made a scientific contribution and have practical experience in the realm of economics and sociology. Therefore it is a select advisory body made up of experts. It consists of nearly 30 persons, more than half of whom are economists, for the most part academic teachers. Furthermore the council has two lawyers, two sociologists, an agricultural technician, and a few directors of enterprises. The number of members would be greater by three or four were it not for the fact that a few valuable experts whose names I wanted to propose to the premier for appointment took to the opposition or domestic emigration.

[Question] What tasks faced the council?

[Answer] The main formal task is to formulate assessments and conclusions concerning social and economic problems and to make unceasing evaluations of the economic situation. Hence, the council's task is to enrich the factors on which the government can base its decisions and to expand social knowledge about the motivation behind the government's selection of some particular thing or about the arguments in favor of other solutions. I would like to go back once more to the question of assessments

of the state of the economy and also the development of the economic situation along with the implications for the future, assessments of the functioning of the system of planning and administration. These assessments can have the nature of independent elaborations or commentaries to appropriate government reports, if they are drawn up. I am convinced that it is important not only to make a positive or negative statement on the subject of the solutions being proposed by the ministries, for example, but also to suggest completely different possibilities.

[Question] Does this mean that the council will want to maintain some sort of independence, inasmuch as it is a body in an advisory capacity vis-a-vis the government?

[Answer] This is a very delicate matter and a very important one: we have obtained certain unprecedented solutions, because the council will inform the society about its work and, insofar as necessary, about the state of implementation of its opinions and conclusions. These opinions will express merely the views of council members and not those of organizations or groups to which its members belong. For example, if somebody represents some view, it will be his, not that of a university group or the Polish Society of Economists (PTE) to which he belongs. In this respect we are quite different from the Social Consultative Council appointed for the Sejm. The Sejm group is made up not of experts but of persons representing various groups, whose interests and views are to be voiced there.

Because I have already talked about so many kitchen affairs, I would like to say that the council regulations, which are to be set by the council itself, and then approved by the premier, should provide every member the right of votum separatum. The council's joint view may be reached through the coordination of positions and, when necessary, by voting. It is a question of not creating any illusions of perfect agreement but of showing the differences of opinion that exist if any, and in many cases there are certain to be some. I am talking about this, because I know all the problems, ills, and dangers of the committees of experts which have operated in the past.

[Question] But what sort of possibilities will the council have for operating? I am thinking about the possibilities of obtaining information about economic processes. Will it have its own research apparatus, or will it have to rely on the existing research facilities?

[Answer] The government resolution which created the council provides for a flow of information from government bodies. This is a real condition for any sort of expert opinion to be developed. Here there is the obligation to supply information within a timeframe which will permit rapid reaction, so that there will not be any surprises. The small council secretariat will initiate research and avail itself of the expert opinion of existing scientific-research facilities, conducting its own investigations only within a restricted area.

[Question] What should we expect from the council?

[Answer] Under the present conditions, everything depends on what the council manages to do and how it synchronizes its possibilities, by no means a simple task. It is a question not only of the fact that the persons on the council represent various specialties but also of the fact that they are all involved somewhere in their professional work. Their participation on the council is volunteer work, but if I were to respond to the question you posed, I would have to narrow things: what should the government expect of our group and what should the society expect?

[Question] Let us start then with what the government expects.

[Answer] First, to give them a richer assortment of decisionmaking factors for the issues under review. In many points the council's opinion will certainly coincide with the drafts and projects which reach government discussions, but this will not be the rule. Therefore, the government is gaining the opportunity to review various opinions or variants. Second, it will be important for us to express our opinion about current problems and to make assessments about the future and the state of the economy. In an exceptionally difficult situation, the decisionmaking system can be called feverish. The number of projects and drafts of resolutions, directives, and other documents is so great that there is no way to avoid certain inconsistencies. After all, things go so fast that many decisions are carried out under conditions different from those under which they were made. In my opinion, the very fact that the council by virtue of its membership and unavoidable inertia will look at decisions from a certain distance may facilitate coordination between the legal documents undertaken and those adopted.

The issue of assessments finally is important. The fact that the apparatus will always be less suitable for finding errors in its activity than people on the outside may be a factor favorable to the monitoring of assessments. After all, we had an example of a report on the condition of the economy when the premier assigned independent scientists to take part in working over the initial draft. It is not a question of repeating the same formula but of developing differences of opinion, if any, to make it possible to come closer to the truth, which is so difficult to determine.

[Question] And what has the society to gain as a result of the council's activity?

[Answer] The issue concerns not only the activity of the council itself but also the principle of what we conventionally call consultation in general. It is based on the circulation of information. Certain streams of information from the council's work will penetrate to the society, and this is an extremely useful thing, particularly when it is so often necessary to revise views formed several months previously, sometimes.

It may be that we will manage to make the society aware of how difficult a thing it is to make the right choice. It is so rare in economic policy for there to be a single ideal solution, but it is often necessary to give up something in order to redeem something else. Finally, the most important thing -- from the viewpoint of this problem it is only one link in a long chain -- is the matter of the dialogue between the authorities and the society. It seems to me that General Jaruzelski's policy can be assessed as one striving to strengthen the state while avoiding the absolute power and domination of the administrative apparatus, one which is striving to draw in broad social groups of scientists for making decisions and, in the future, self-government bodies as well.

I cannot say today how far we will be able to go in making a contribution to the structuring of economic policy and the developing of social awareness. I can only make a prediction that this can be an important contribution, although by no means a decisive one.

[Answer] Thank you for the interview.

New Version of Economic Report

Warsaw ZYCIE WARSZAWY in Polish 2 Apr 82 p 2

[Article: "Planning Commission Prepares New Versions of Documents: 'The Report on the State of the Economy' and 'The Program for Overcoming the Crisis'"]

[Text] A new version of "The Report on the State of the Economy" has been drafted in the Planning Commission of the Council of Ministers. The work on "The Program for Overcoming the Crisis" is coming to a close.

Both these documents, as everyone knows, were part of the group of documents of the Ninth Party Congress. The previous version of the state-of-the-economy report was based fundamentally on an analysis of the phenomena which occurred as the result of faulty economic policy of the 1970's, showing only the worsening of the situation as the result of the events which took place in our country after August 1980.

The picture of destruction which additionally occurred in the economy during the period "from August to December" was brought to an end by the introduction of martial law. The new version of the report presents the consequences of the process of the anarchic development of the economy and brings up all the "Solidarity" actions which contributed to the worsening of the crisis, despite the fact that in the process they used slogans about the intention of improving the society's living conditions. The sudden reduction in work time, the increase in wages and social benefits without moderation or an adequate supply of commodities, the strikes and tensions which reduced productivity and interfered with the organization of production decidedly shifted the prospects for getting out of the crisis.

The adverse phenomena in the economy and the society were reflected in the state budget for 1981. The state enterprises, one of the previous major sources of budget revenue providing financing for collective consumption, wound up 100 billion zlotys in the red last year. State budget outlays were not reduced by that amount. On the contrary, there was an avalanche of increases, mainly because of the increase in the financing of social benefits, the social and cultural sphere, and the covering of losses incurred as the result of unprofitable production.

The report closes by showing that the whole gestalt of aspirations contained in the current socioeconomic plans and undertaken ad hoc by the government is aimed at the most rapid possible deceleration of the past recession trends in the economy and the achievement, through our own efforts and those of brother socialist countries, of economic renewal by the latter half of this year at the latest. This should be made permanent and expanded.

Actions in this direction will be presented in the "Government Program to Overcome the Crisis and Stabilize the Economy," which is still being updated.

Despite the first signs of improvement in our economy, seen in the signals coming in after the first quarter of this year from the branches of industry and the enterprises, there has been no slowing of the recession, manifested in a further decline in production. We are noticing the effects of the economic restrictions initiated by the United States. The import and credit limitations arising in this connection complicate the work of many processing industries.

The crisis phenomena in our economy have led to a decline in its level to that of 1973-1974. In terms of the number of apartments annually turned over for habitation, we are currently at the 1967 level. It is only in consumption sizes that the setbacks are not so great. They correspond to the year 1978, largely as the result of foreign loans and a limitation on the scope of investments. Against the background of the recession which has occurred, therefore, we can say that we are still living beyond our means, although there are many individual examples of shortages and even errors. The attainment of the industrial productions sizes noted prior to the crisis will be possible -- at least this it what the new version of the program projects -- within 3-4 years, if the planned economic recovery actually does occur this year. There is great hope here of gaining the first results of the economic reform and also of the change in the directions of economic cooperation and the deepening of cooperation with the Soviet Union and other socialist countries.

Both documents will soon be presented to the public, according to the recently published schedule of government work.

10790
CSO: 2600/489

ADMINISTRATION OF PRICE CONTROLS IN ECONOMIC REFORM REVEALED

Warsaw IDEOLOGIA I POLITYKA in Polish No 3, Mar 82 pp 145-155

[Article by Andrej Wojtyra]

[Text] The economic reform that was introduced this year gave business establishments a wider range of powers and autonomy, including increased autonomy in setting prices. Government agencies will only set official prices for consumer goods that are of critical importance with regard to living costs or health care (accounting for 35 percent of all consumer goods delivered to the marketplace) and the prices of key capital goods (accounting for 20 percent of all materials consumed in the national economy). Prices of the remaining 65 percent of all goods delivered for sale in the marketplace and prices of the remaining 80 percent of all capital goods will be set by business establishments either as regulated prices or as free or negotiated prices.

In conformity with resolution no 243 of the Council of Ministers dated 30 November 1981 (MONITOR POLSKI, No 32 item 287) goods produced by state enterprises may be sold at official, regulated, negotiated or free prices. Official prices are set by the Council of Ministers or by the appropriate government agency responsible for critical consumer goods, services and capital goods. Regulated prices are set for everyday basic necessities purchased by private consumers. These prices are set by the producers of these goods on the basis of production costs plus profit surcharges, turnover taxes where applicable, and profit margins. Costs and appropriate profits are figured according to rules laid down by the State Prices Commission (per Guidelines issued on 22 December 1981). Turnover tax rates are set by the minister of finance, while profit margin rates are set by the chairman of the State Prices Commission. The third category of prices, i.e., negotiated and free prices, consists of those prices which are set for those goods not covered by official and regulated prices. The abovementioned resolution does not stipulate any rules that are to govern the figuring or cost accounting of these prices. In keeping with the main premises of the reform, these prices are supposed to be formed as a function of the interaction of supply and demand and be the end result of negotiations between producers and consumers. The only other fact to be taken into account in setting these prices is the turnover tax.

Similar pricing rules also apply in the case of private small-scale manufacturing concerns. In cases where these kinds of entities are producing

goods covered by official or regulated prices, they are required to comply with the same set of rules that apply to state enterprises. The prices of all other goods are set as free prices.

The major changes that were introduced in terms of who has the authority to set prices coincided with the adoption of the 1 January 1982 reform of prices charged for producer-capital goods, a reform which is responsible for the substantial rise in production costs and which is making it necessary to readjust almost all currently effective prices of both producer goods and consumer goods. At the same time, the marketplace, which has been stripped bare of goods, is not able to play its key role within the context of the reform as a medium for testing the reasonableness of free prices formed by the supply-demand equation method. A similar situation exists with reference to the buying and selling of producer goods, where, owing to the scarcity of raw materials, co-producers and producers of finished goods are forcing their customers to pay unilaterally determined prices without bearing any responsibility for justifying the cost accounting used to figure these prices.

Recent pricing decisions made by producers are evidence of the current undesirable trend toward excessive price increases. As a result of these decisions, the newly established prices for most consumer goods went up by 100, 200 percent or more in relation to the old prices. Prices of producer goods are also going up sharply, often to the point where they are double or triple what they used to be, and this in turn is the reason for the continued, rampant upward spiral of costs and, hence, the price of finished goods as well. It is therefore becoming necessary to make major modifications in the system of price controls and to give the state a greater say in the setting of prices. The primary objective of such changes would be to curb the excessive, unwarranted rise in prices and thereby better protect the interests of the public and the state. Another primary reason behind giving the state a greater say in the setting of prices is the need to make the process of calculating costs and prices more equitable so as to reduce the chances that enterprises will make the public pay for the consequences of their own mismanagement and wastefulness. For these reasons, various basic policy decisions have been made with a veiw to upgrading the authority of price control agencies and enabling them to intervene in the price-setting activities of business establishments and also reinforcing their authority to review prices set by producers.

Most importantly, in keeping with the resolution passed by the Sejm, the State Prices Commission is supposed to be supplanted by a BUREAU OF PRICES which will be chiefly responsible, acting on behalf of the state, for monitoring the level of prices charged for goods and services by actually setting these prices. This Bureau will also have an indirect say in the formation of regulated prices by virtue of the fact that it will lay down the rules and procedures for the setting of these prices and set profit rates. The Bureau of Prices will also prepare studies that analyze the processes by which prices, costs, and profit rates are formed and the state of market equilibrium. A completely new way of exercising control over the level of prices will take the form of the initiation and running of pricing negotiations and also the conclusion of agreements with representatives of buyers and sellers on the issue of pricing policies that affect major categories of goods and services.

A PRICING INSPECTORATE will also be established. It will be responsible in particular for: monitoring the propriety of procedures used to draw up cost accounting statements used for the purpose of setting official and regulated prices; monitoring compliance with prevailing rules that govern the setting of regulated prices; monitoring the price level and costs and profitiability of goods and services which are covered by free or negotiated prices; checking to make sure that currently effective prices are being charged in commodity transactions and that they are reflected in financial statements of the trade and services sector; drawing up periodic assessments of the level of pricing discipline displayed by producers and service establishments. In the course of discharging these responsibilities the Pricing Inspectorate will cooperate with local government and other regulatory agencies. It is called upon in particular to cooperate with consumer protection organizations, e.g., the Consumers Federation, and also with the recently established Social Prices Commission.

Financial and administrative penalties will be assessed for charging prices that were not set in accordance with proper rules and procedures. Financial penalties will be assessed in the event that a determination is made to the effect that an enterprise set a regulated price that is too high, submitted a faulty cost accounting statement for the setting of an official price with the result that this price was set at too high a level, or charged prices that exceed currently effective prices. In any of these cases the Pricing Inspectorate (in addition to other regulatory agencies) will issue rulings that enjoin the impoundment (on behalf of the national treasury) of 100 percent of the improperly earned profits. The amount of money subject to impoundment will be reduced accordingly in the event that injured parties are reimbursed for the amounts they were overcharged. This is a very important provision that will result in increased protection for the interests of consumer who will be able to recover the amount they were overcharged provided that they possess a documented record of purchase (e.g., an invoice, a bill for services rendered, and so on). The Pricing Inspectorate will also make recommendations to the government minister responsible for prices concerning the revocation of producers' rights to set free prices and their replacement with regulated prices or the enforcement of other more severe penalties affecting the rules or procedures used by producers to set and charge prices.

Apart from the establishment of the Pricing Inspectorate, the scope of SOCIAL CONTROL that is exercised in the area of prices will also be enlarged. In this regard one might at least make mention of the Consumers Federation or the recently founded Public Commission for Prices, one of whose principal responsibilities will be to defend public interests both during the phase when the price reform is being implemented and also later on when it comes time to uphold the broad mandates enjoyed by producers in setting prices. These organizations will also be involved with gathering information on pricing irregularities, engaging in research on prices, costs, and profitability, and preparing supply-demand studies.

The wide-ranging collaboration of the Pricing Inspectorate with these kinds of social organizations will make a very important contribution toward enhancing the effectiveness of price controls and countering manipulative pricing

practices that are harmful to the public interest. The point is that in an environment characterized by increased autonomy and self-management on the part of business establishments (state-owned and cooperative) the formal-legal opportunities for bringing influence to bear, as a part of the regulatory process, on producers who are overpricing their goods are limited. So, an effort will have to be made to look for ways to strengthen this influence by using the pressure of public opinion. The success of this program depends on the working out in everyday practice of specific and effective forms of collaboration between the Pricing Inspectorate and social control bodies.

As a part of the system for the regulation of newly established prices a tremendously important role should be assigned to the plant task forces set up by party committees and basic organizations pursuant to a directive issued by the Secretariat of the PZPR Central Committee on 1 February 1982. The constructive role to be played by these task forces should above all take the form of actions which contribute to a lowering of production costs. It is not likely that they will be as heavily involved in discharging regulatory responsibilities that relate to the level of prices charged for goods produced by their own plant or in trying to bring these prices down, since in some cases this might be interpreted as running counter to the interests of the plant work force. However, all of those task force projects that involve the preparation of ongoing studies of production costs and the launching of programs related work scheduling, industrial processes, and engineering matters that might help to lower production costs will play a tremendously important and useful role in the formation of future prices. The disclosure of untapped resources in the area of cost management and the improvement of management efficiency generally will produce specific dividends for workers, lay the groundwork for the pursuit of a flexible policy for pricing the output of a given plant, and also put a stop to the tendency to make prices and, ultimately, the public shoulder the burden of the costs of mismanagement and wastefulness.

The problem of how to generate pressure in favor of bringing down costs is not a new one, but it was not dealt with properly in earlier years. Resorting to the use of circulating memoranda and directives issued by higher-ranking institutions in order to accomplish this did not produce the desired results. It would seem that in the setting of a post-reform economy all suggestions submitted by workers, foremen, and managers should be taken advantage of with a view to the development of specific programs and projects dedicated to the conservative expenditure of enterprise resources and the identification of areas where further improvements could be made with regard to the use of on-hand plant and equipment, work and production scheduling, the performance of administrative duties, and so on.

Untapped resources and in-house capabilities for lowering production costs should be reflected in the setting of new prices. For example, ways that are found to lower administrative costs should help to reduce the burden of plant-wide costs that are factored into new prices, or an increase in the output of a given product (the lengthening of production series) should result in the distribution of production costs over a larger number output units (e.g., production setup costs, wear and tear on special tools, depreciation).

The Pricing Inspectorate and its local branches have been mandated to provide assistance and training to the plant task forces. In cases where the management of enterprises choose to disregard valid recommendations made by plant task forces concerning ways to bring down prices, the Pricing Inspectorate is obliged to step in as an official mediator.

The Economic Committee of the Council of Ministers has also stipulated that the FISCAL AND INDUSTRY-WIDE REGULATORY POWERS exercised by the District Revenue and Fiscal Control Boards and by the industry-wide auditing authorities of economic ministries should be broadened to include the monitoring and analysis of the cost-accounting formulas of prices set by producers. Considering the changes that have been made in the system of public finance and taxation, it would seem that fiscal regulatory bodies will be focusing their attention in particular on the following problems: the correctness of procedures used to factor turnover taxes into prices; how new turnover tax rates are working, their impact on the level of new prices and their interrelationships; assessments of the post-reform workings of the enterprise financial management system and resulting changes in the structure of costs factored into prices.

Fiscal and industry-wide regulatory bodies have at their disposal a relatively large fund of knowledge about the mismanagement practices of individual producers and the losses they have incurred as a result, just as they also know a lot about the unreasonably high costs that are being paid in the areas of capital investment, production, and marketing. Bringing this knowledge into play in conjunction with the regulation and analysis of the high prices that are being set by these kinds of producers will make it possible to effectively curb the tendency toward shifting the burden of the costs of inefficient performance on to prices.

In order to counter unjustified price hikes domestic trade institutions which negotiate prices with suppliers are also being given more responsibilities than they used to have in this area. In the guidelines that have been issued in this matter by the minister of Domestic Trade and Services trade enterprises have been instructed, among other things, not to accept free prices that are imposed unilaterally by producers. It was pointed out that the fight against rising retail prices should be focused in particular on those prices which are based on unfair costing formulas and which produce excess profits and are too expensive to be absorbed by the market. The guidelines also recommend that profit margins should not be allowed to expand automatically in pace with rising prices, rather they should be more closely correlated with justified increases in marketing costs.

In addition to the expanded regulatory powers being exercised by the state and social institutions, an important tool for insuring a tightening up of pricing discipline is the list of basic-necessity goods for which regulated prices are set. The expansion of this list was dictated by the fact that enterprises were setting many prices at flagrantly high levels which were not justified by 1982 production costs. The addition of several new goods to the list of items covered by regulated prices does not only mean that producers are going to have to follow a prescribed set of rules in figuring the costs to be factored

into their prices. If necessary, turnover tax rates assessed for goods in this category will be lowered or abolished, and in some cases price supports may even be awarded. This is aimed at slowing down the rate of increase in prices of goods that are essential for meeting the basic needs of private households.

This list initially included general-use manufactured goods and goods that are important from a social standpoint, e.g., footwear and clothing for children under 15, washing and scouring agents, hosiery, infant care items, cotton textiles (with the exception of textiles that are 100 percent cotton). The list of goods covered by regulated prices was expanded to include such categories of goods as woolen textiles (textiles which are up to 50 percent wool), undergarments and lingerie, general tableware and kitchen utensils, glassware, major household appliances (e.g., 140-liter refrigerators, rotary washing machines, standard irons, popular radio and television sets), standard furniture items, certain types of sporting goods (children's skis, sleds, children's bicycles).

The addition of several new general-use consumer goods items to this list makes it less likely that producers of these goods will crank up their prices to an unreasonable extent. This is because in order to set regulated prices the producer is required to factor costs into these prices in accordance with strict rules laid down by the State Prices Commission. This means in particular that when costs are being factored into prices producers have to observe prevailing standard rates of labor intensiveness and materials consumption and set up production engineering systems with optimal efficiency ratings while making allowances for the existing level of technical and organizational sophistication. The profit rate that can be factored into regulated prices is limited (there are no restrictions on profits in free and negotiated prices). However, in the event that costs are factored unfairly and if prices are raised too high, producers are faced with financial penalties whereby they are required to remit 150 percent of their ill-gotten profits to the national treasury.

This brief outline of the more important features of the system of oversight, regulatory, and arbitrational powers exercised by the government when it comes to setting of prices by business establishments give rise to the following question. Namely does this deviate from the basic principles of the economic reform, and, if so, to what extent? In other words, what is the nature of the relationship between the expanded system of price controls and the economic reform program, which after all is predicated on the farreaching autonomy and self-management of enterprises? The first draft of the law on prices provided that government agencies would in effect regulate only official prices (set by the Council of Ministers, the State Prices Commission, and other central government agencies) and regulated prices (set by producers in compliance with prescribed rules). Free and negotiated prices were essentially exempt from this kind of regulation. Price control agencies could intervene in disputes involving this category of prices only if sellers, taking advantage of their monopoly position, were to earn a profit that would be glaringly above average. This intervention was supposed to consist of compelling producers to charge regulated prices instead of free or negotiated prices.

In comparison with these basic principles the changes that have now been made shape up as follows:
-- the list of goods covered by regulated prices has been considerably expanded, but it may be that this will not actually go into effect until after producers reveal that they have in fact netted large profits;
-- the guidelines issued by the Presidium of the Economic Committee of the Council of Ministers recommended that free and negotiated prices should be set at a level that does not exceed reasonable costs plus a minimum essential profit margin; these prices were supposed to be set by producers at their own discretion depending on market conditions, regardless of how much profit they realized;
-- the prices and costs of goods and services subject to free and negotiated prices are now subject to extensive controls;
-- a Pricing Inspectorate has been created with the result that the small apparatus of the Bureau of Prices has been reinforced both in terms of the number of authorized job slots and in terms of the number of staff personnel.
So, these changes have done nothing in a major way to limit the authority and autonomy of business establishments, but they have augmented the government's regulatory powers and they are strengthening discipline when it comes to setting prices that are in accordance with the public interest.

One can of course argue about whether the broadened jurisdiction of price control agencies over the setting of prices by producers is at variance with the intent of the reform program or not. One can just as well speculate as to whether giving sellers so much freedom to set their own prices while at the same time making part of their payroll contingent on how much profit they make is really the best solution. Where did this idea come from in the midst of the well-known situation that prevailed in the marketplace in 1980-81, what with the big upsurge in the prices of producer goods and the general rise in costs?

These are factors which make it seem as though there is a growing tendency on the part of many producers to try to earn relatively high profits during their first year of independent operation. They are motivated by, among other things, a desire to use prices as an "offhand" way of paying both for their rising costs and also for the consequences of their inefficient management practices (which, however, are not always attributable to any fault on the part of the enterprises concerned), but at the same time they want to secure for themselves a large enough savings account of profits to draw on for self-financing and for payrolls.

Without trying to provide any answers to the questions raised above, which would exceed the bounds of this article anyway, it should still be stressed that the state cannot look on with indifference in the face of the rising prices of goods produced by state enterprises, a phenomenon which is universal and occuring on such an enormous and unexpected scale. At the same time, one also has to take into account the scale of the increases in open market prices, the prices of goods and services delivered by cooperatives and craft industries and other sectors of the economy which charge free prices.

The advisability and necessity of initiating and following through with various kinds of measures designed to insure a more disciplined approach to the cost accounting of prices are borne out by the FINDINGS of AUDITS conducted in enterprises by the regulatory apparatus of the State Prices Commission.

According to what was learned from the preliminary assessment, the rising prices of manufactured goods is a widespread phenomenon which applies to almost all products, even those which had already registered high prices and profits last year due to the fact that they were classified as new products. In most cases the rate of this inflation exceeds 100 percent. This must come as a shock to shoppers who are now watching their pocketbooks because of the new prices being charged for foodstuffs. This poses a threat to the household budgets of many lower-income families, which, to be sure, can live without color TV sets, cars, autmatic washing machines, or apres ski boots, but which have to buy basic manufactured items such as shoes, clothing, furniture, household fixtures, common household appliances, cleaning agents, and other indispensable items.

This sharp rise in prices is mainly attributable--as I already mentioned--to the new prices being charged for producer goods that went into effect on 1 January 1982, the costs chargeable to inefficient management during 1980-1981, the unprofitability of many products that had been subsidized in earlier years, the rising prices of imported fabricating materials (the change in the coversion factor), in addition to raw materials restrictions, shorter production series, and smaller production lots which raise costs per unit of output. When considered as a cumulative whole there are more than enough of these inflation-boosting factors to touch off a sharp and rampant rise in the prices of finished goods.

However, during the course of preliminary investigations it was found that these factors are often compounded by other factors for which enterprises are directly to blame, e.g., the exploitation of market conditions in order to raise free and negotiated prices to a level that exceeds production costs plus a fair profit; the desire to achieve high earnings as early as the first year of independent operation regardless of production costs and management rules prevailing during the current year; the inclusion of excessive, unwarranted cost-overrun safety margins in cost accounting statements for regulated prices or the outright dishonest preparation of cost accounting.

The two first factors that give an extra boost to the inflationary spiral do not in effect conflict with the basic principles of the reform, which calls for the free formation of free and negotiated prices by producers. Any "price dislocations" that might occur are supposed to be corrected by the marketplace (consumers will not buy goods that are too expensive) or through bargaining among sellers and buyers. However, documented practices whereby existing market conditions are being exploited in order to raise prices to an excessive degree run counter to the current sociopolitical situation and are a flagrant violation of the public interest. The price controls that have been instituted are in fact aimed at curbing these undesirable tendencies. But, at the same time, they do not violate the principle of enterprise autonomy, since enterprises will continue to decide how high prices should be.

Audits conducted in various plants that focused on procedures used to factor costs into free prices fully bear out the validity of the reasons given above in support of the need to enforce more rigorous cost accounting rules. For example, in one leather goods plant it was found that the prices of shoes went up anywhere from 36 to 200 percent. A more careful study of the cost accounting procedures used revealed that estimated shoemaking costs were used to figure prices that exceeded documented costs by approximately 30 percent. Retail sales prices were then set at a higher level than necessary based on production costs, profits, and profit margins. For example, according to the cost accounting statement drawn up by the plant, men's shoes, which used to cost 400 zlotys, were given a new price of 900 zlotys; the price of men's cloth shoes went up from 230 to 600 zlotys; the price of boots went up from 930 to 2,200 zlotys. After examining the audit findings, the plant reduced prices of many of its products, including the aforementioned men's shoes (from 900 to 650 zlotys), the men's fabric shoes (from 600 to 500 zlotys), the boots (from 2,200 to 1,800 zlotys), and several other types of footwear.

In one garment industry plant it was found that 45 new prices had been assigned to women's skirts and coats. The price of skirts went up on the average by 50 percent, while the price of coats went up from 68 to 107 percent. However, manufacturing costs were overstated in the costing formulas by making groundless claims for such items as trade association dues of 1.2 million zlotys and commission fees paid to a foreign brokerage house in the amount of 8 million zlotys, a cost which should not have been cited as an encumbrance on domestically manufactured goods. The plant has begun to recheck its miscalculated prices.

At a "Spolem" plant in Kielce the costs factored into the prices of some products were miscalculated with the result that the price of mayonnaise (200 grams) was set at 44 zlotys (instead of 38.50) and the price of mustard was set at 18 zlotys (instead of 14.50). The plant consented to the measures recommended by the audit and lowered the prices of the aforementioned products.

An orthopedic equipment producer raised the prices of its products from 116 to 270 percent. An audit revealed that the costs of materials had been miscalculated (a higher coefficient was used than the one stipulated in rulings issued by the State Prices Commission) and a 10 percent profit was tacked onto prime costs instead of onto processing costs. Thus, the price of orthopedic shoes was set at 7,300 zlotys instead of 5,100 zlotys. The manufacturer finally agreed to lower the price of these shoes to 5,820 zlotys and promised to eventually recheck the prices of other products after the end of the first quarter.

A metalworking plant raised the price of, among other things, gas stoves from 5,000 zlotys to 12,850 zlotys. An investigation revealed that labor costs had been miscalculated and that 3.6 million zlotys worth of trade association dues had been groundlessly figured into aggregate production costs. Taking these adjustments into account, the price of this stove should come to around 11,000 zlotys.

The biggest price increase introduced by a cosmetic manufacturer applied to childrens toiletries (by more than 100 percent). A study revealed that the

reason for this was the introduction of a turnover tax on these products, whereas in previous years there had been no such tax on this category of products. On the recommendation of auditors, with the consent of the Ministry of Finance, the turnover tax on these products was abolished, and this, in conjunction with the rechecking of production costs, made it possible to lower the price of "Jacek i Agatka" shampoo from 30 to 20 zlotys, "Jacek i Agatka" cream--from 31 to 21 zlotys, and "Ono" children's lotion--from 111 to 83 zlotys.

The examples cited above do not exhaust the list of problems that are coming to light in connection with the cost accounting of new prices. For example, in other institutions it has been noted that producers of finished goods are displaying a passive attitude toward the high prices proposed by subcontractors, excessive and unjustified increases are being cited for indirect costs (especially plant-wide costs), high losses attributable to product defects are being written off without bothering to make a more careful study of the reasons for these defects. If the cost accounting of new prices were to be performed more carefully, then these prices would certainly be lower in many instances, and to a certain extent this would soften the impact of price increases caused by substantial rises in production costs and by current market conditions.

11813
CSO: 2600/532

HEALTH, INDUSTRIAL SAFETY OF MINERS CRITICIZED

Warsaw ZYCIE GOSPODARCZE in Polish No 10, 28 Mar 82 p 9

[Article by KB: "Safety and Work Hygiene in Mines"]

[Text] Members of the Sejm Committee on Mining, Energy and Chemistry became acquainted on 16 March 1982 with the condition of industrial safety in hard coal mines. The number of work accidents in the coal mining industry increased from 11,200 in 1980 to 22,267 last year [1981]. Working conditions underground worsened.

This is what the report of the Supreme Chamber of Control [NIK] presented to committee members states. The studies covered 12 mines (of 66 active mines) in which particular threats appear. Working conditions were inspected in the following mines: "Dymitrow," "Miechowice," "Gliwice," "Zabrze," "Szczyglowice," "Brzeszcze," "Janina," "Silesia," "Niwka-Modrzejow," "Nowa Ruda," "Pokoj" and "Powstancow Slaskich."

The inspections indicate that in an average year more than 21,000 miners--that is, 28 percent of the total employed in the 12 mines studied--work in excessively dusty, unhealthy conditions. Among the causes of the excessive pollution, NIK's report lists the exploitation of seams that are excessively fouled by the interlayers of barren rock; exploitation of thin seams with a so-called tamping of roof or sill; extension of output transport passageways; and mechanization of preparatory jobs.

Of course, the mechanization of work underground is a necessity. However, the danger increases together with it. This is manifested precisely in an increase in the amount of dust. Countermeasures are not effective enough. There is a lack of equipment. Prototypes or experimental copies are generally used. These frequently are furnished to mines without essential technical documentation, service instructions or electrical accessories, which precludes their use.

Dust concentrations range from 2 mg^3/m to 120 mg^3/m and exceed permissible limits scores of times. The worst situations appear in hard coal mines (KWK)--"Niwka-Modrzejow," "Dymitrow," "Zabrze," "Gliwice" and "Szczyglowice,"--and in Walbrzych mines.

Some 638 cases of occupational disease were noted from 1978 to 1980. Among them were 457 cases of silicosis caused by dust. Pensions were granted to 269 miners.

NIK's report emphasizes that the Ministry of Mines efforts to combat the pollution of the work environment, in effect, boils down to the use of equipment for water-pressure sprinkling and the use of individual protective equipment or dustproof masks. However, supplies of implements and equipment satisfy barely 40 to 50 percent of the needs and their quality is low.

There is a lack particularly of sprinkling systems on coal combines, dust collectors, filters, "Ca Bo"-type feeders for dampening, and "Roksol," "Rocafenon," and "Pianol" foam-making installations. There is a lack of microcyclones for "Barbara 3A" dust counters. Dustproof masks are not used in work that entails great physical effort because they make breathing difficult.

Another important threat is the noise from hewing, loading, transporting and dressing coal. In the 12 mines studied, 6,000 miners work under excessive noise conditions. The contraventions range from 1 to 17 decibels. Miners spend 3 to 6 hours a day under those conditions. These results do not pertain to mines in which there is the threat of firedamp, where because of safety considerations, sound measurements are not made.

Vibrations that arise in the course of drilling shotholes or hewing and dressing coal are a little known threat. There is even a lack of orienting data on work stations in this respect. Measurements are not made because there is a lack of appropriate apparatus or Polish standards that define the permissible vibration level.

A frequent phenomenon is exceeding the permissible standards of temperature and humidity. This is sometimes caused by technical irregularities in cutting a ledge but more frequently by a delay in air-conditioning work. The example of the mine "Zabrze" is a particularly drastic one; the capacity of the main ventilator is too low in relation to the need for 10,000 cubic meters (of air) per minute.

The organization of technical work safety inspection is not linked with the systematic control of healthy working conditions. Studies are made only by mining service doctors. They are seldom conducted by Industrial Safety and Hygiene Services. So-called teams to combat pollution, noise and vibration operate in the mines but they only draft programs and are little interested in their implementation.

There is no uniform, systematic and effective checkup on the state of the health of workers employed in mines. The effectiveness of such activity is small. Health Care Facilities (ZOZ) do not conduct obligatory studies of the effect of dust on everyone exposed to it. Mine administrations in turn do not implement the findings of the industry's health service on removing miners suspected of having silicosis from jobs involving dusty conditions.

All of this leads to the conclusion that work underground is unsafe not only because of its nature but also because of people responsible for the miners' health and life.

10433
CSO: 2600/495

PROBLEMS, PROSPECTS, SIGNIFICANCE OF DEEP SEA FISHING DISCUSSED

Warsaw ZYCIE GOSPODARCZE in Polish No 7, 7 Mar 82 p 5

[Article by Zbigniew Wyczesany: "Fish on Our Menu"]

[Text] Saltwater fish play an important role in our food economy. They are a valuable meat substitute. Despite price increases, saltwater fish are cheaper than meat. Moreover, they are not rationed and every batch of them supplied to the stores are quickly sold out. The absorptive power of the market is indisputable, but the chances for greater supplies of fish are limited. The situation in saltwater fishing has been the object of lively interest in society. Economic policy also shares this lively interest. In these difficult times, it is important to obtain answers as to what chances of development fishing has, especially deep sea fishing; and what may be its contribution to our menu.

At the end of last year a team of experts prepared a report on the state of deep sea fishing, a program of its development for the years from 1982 to 1985, and a prognosis up till the year 1990. The Governing Administrative Body of Sea Economy has examined this document. And it was also the subject of debate in the Sejm Commission of Sea Economy and Navigation. The matter of deep sea fishing development is also going to be examined before too long by the Economic Committee of the Council of Ministers.

In recent years, long-range perspectives for our fishing industry had to undergo far-reaching verification. Our deep sea fishing had free access to all the good fishing grounds in the world until the first half of the 1970's. Economic-exploitative criteria were used as the basis for its development. In principle, only those varieties of fish that were well-known and attractive to the market were caught; at the same time, the costs of fishing at particular fishing grounds were taken into account.

One Has To Go Further and Further for Fish

Today the situation has changed radically. In the past 10 years, maritime countries have begun to broaden their powers over territorial waters, defined as "economic zones" extending 200 miles from shore. The rights of these countries mean in practice the right to exclusive exploitation of live resources. In this situation, our access to the raw materials base of deep sea fishing has taken a decided turn for the worse. With few exceptions, there

no longer exist accessible fishing areas. We can avail ourselves of fishing grounds under the jurisdiction of maritime countries by purchasing fishing licenses, selling part of our catch to that country, entering into co-production agreements, or else fulfill other conditions. Depending on what form this takes, our fisheries are strapped with additional costs which are not that small because of the distances of the fishing grounds from home ports.

Formal and legal changes in fishing grounds have caused a different geographical distribution in Poland's deep sea fishing. While in 1970 fishing fleets operated in three basic sea areas (Northwest Atlantic, Northeast Atlantic and Middleeastern Atlantic), in 1980, they were forced to search for fish in the Pacific Ocean on the shores of both North and South America. They also have engaged in sporadic fishing around New Zealand.

If in 1970 the average distance from home ports to fishing grounds was 2700 nautical miles, in 1980 it was 6660. This means lengthening the time to and from the fishing grounds, shortening the effective time for fishing, and increasing the costs connected with the consumption of fuel, which--as is well known--are many times higher.

New Types of Fish

A geographical shift in fishing grounds has caused a change in the types of fish being caught. In 1970, deep sea fishing encompassed four basic types of fish: cod, herring, mackerel and flatfish. These four types made up 82 percent of all catches at that time. The present share of these same types of fish are barely 1.5 percent of the total of deep sea catches. In 1980, over four-fifths of all catches included new types of fish: hake, caranoid, blue fish, "mintai" and sardelle. Fish that are now reaching the stores were practically unknown on the Polish market 10 years ago. With the exception of the hake and mintai, they are considered to be less valuable, more difficult to treat in technical processes, and also their qualities of taste are not as good. And, therefore, as a result of changes in the formal and legal status of fishing grounds we receive raw materials that more difficult to process into market products.

With Poland's deep sea fishing situation becoming worse every year, intensified research and search for new fishing grounds have been undertaken. There has been no confirmation yet regarding conjectures of greater concentrations of fish in the open seas. Rich stocks of blue fish, however, have been recorded in the Falklands' area, as well as stocks of krill and other fish in the Antartic region. In these waters we catch over 100,000 tons of fish annually, but chances for increasing catches are rather modest.

Then there is the krill that no one knows what to do with as yet. The solution to the technical and technological problem of processing the krill into consumer products (extracting the meat from its shell). Toxicological research also has not been completed that would decide on allowing products from the krill for consumption. At the same time, its products are allowed for consumption in the U.S., Japan and the USSR.

The report on the status of fishing and its prospects for development has been formulated in a largely forced manner, its conclusions extracted on the basis of a special analysis of fishing activity during the last 10 years. Taking into account our country's present economic situation, conditions for access to fishing grounds, costs for exploiting the fishing fleet and the need for modernizing it, authors affirm that there exists a real possibility for Poland's deep sea catches gaining on the order of a half million tons annually, which, together with 170,000 to 180,000 ton catches in the Baltic--in our fishing zone--would allow maintaining consumption more or less at the present level. Costs up to the year 1990, mainly connected with modernizing the fishing fleet and its auxiliary fleet and dry docking, have been computed at about 17 billion zloyts; whereas foreign-exchange expenditures at current running costs, port duties, repairs in foreign ports, and the like are estimated at from 100 to 120 million U.S. dollars. A significant part of these resources would come from the export of fish.

Our fishing fleet is presently made up of 101 fishing vessels (of a 200,000 BRT gross registered tons capacity) and 10 auxiliary vessels (of a 71,000 BRT capacity). Without developing this theme further, one needs to state that the fishing fleet is outmoded; moreover, it must fish in sea areas that had not been envisioned. Therefore, there exists a need for a gradual changeover to new vessels, which, as it is well-known, can be built in Polish shipyards.

The greater distance from home port to fishing grounds also requires a strengthening of the auxiliary fleet. The present transport capacity is too small and covers from 40 to 50 percent of our needs. We are forced to charter foreign ships and pay in foreign-exchange.

A problem all by itself is supplying our fleet with fuel. The fleet consumes 200,000 tons of fuel annually; we receive half of our fuel, more or less--including a significant part for delivery to fishing grounds--from the USSR. We must purchase the rest of the fuel in capitalist countries--and, of late, exclusively in cash.

Oppression and repression

Our country's difficult economic situation has been reflected in the results of our fisheries. The tie-up of our fleet due to a lack of foreign-exchange for the purchase of fuel and other expenditures has caused trawler-factory ships to lose 1,000 to 1,200 fishing days. In terms of catches, this means a loss in the neighborhood of 50,000 tons of fish. The principle of self-financing by deep sea fishing just introduced in the first half of last year, that is to say, the covering of cost of current exploitation through the export of fish, and deliveries of fuel by Soviet tankers to our fishing fleet have enabled us to avoid oppression. But it was then that the President of the United States, Ronald Reagan, announced economic restrictions against us.

The decision forbidding Polish fishermen to operate in a 200-mile zone from U.S. shores has seriously threatened the Polish fishing industry by deepening the difficulties in supplying Poland's domestic market not only with fish

but also as a result of a parallel decision to hold back deliveries of fodder, including corn for poultry meat.

The Americans were quick to see that our catches in their economic zone, i.e., in the waters of the Atlantic and Pacific and around Alaska made up about 50 percent of all of our deep sea cathes (about 250,000 tons of fish). Already in November of last year they investigated our deep sea fishing plans, solemnly affirming the stability of our presence in these waters. All the necessary documents were prepared for an extension beginning April 1982 of an international agreement authorizing Polish fishing vessels to fish in these sea areas. From these areas with a great abundance of fish, our fisheries were going to catch a significant number of mintai, hake, as well as cod, halibut and red fish. It was decided, therefore, that one-third of the entire fishing fleet would operate in these zones. From day to day the fleet had to abandon fishing grounds in the American zone. The blow was well-trimmed, but, fortunately, the waters in which we can fish do not end at the 200-mile American zone.

United States' unilateral breaking of the agreements is causing a certain reduction in our deep sea catches this year, but not so much, however, as to threaten a radical reduction in fish consumption in Poland. The fishing fleet has been directed from American fishing grounds to other regions of the world. After a 2-month interruption, our trawler-factory ships have informed us that they have resumed operations. This creates a chance this year of catching from 450,000 to 500,000 tons of fish from ocean regions, that is to say, more or less what we caught last year. Only we have taken on additional costs.

Chances for Development Have Not Been Lost

We are learning from the American incident. We cannot base our plans for developing our deep sea fishing on uncertain elements and be dependent on particular countries.

Poland has at her disposal an experienced cadre of deep sea fishermen and has also acquired high ranking in oceanographic research and in the identification of ocean fish population in various parts of the world. We have concluded agreements with several countries, including Canada, Norway and France for fishing rights in their economic zones; we can keep on reaping significant numbers of fish from generally accessible waters and waters covered by international conventions. We are carrying out negotiations with a number of African and South American states to purchase fishing licenses or fishing rights on the basis of co-production.

Fishing on the high seas remains an open question. It requires further research. For example, in the Pacific beyond the 200-mile South American zone, concentrations of fish have been discovered that are suitable for industrial exploitation. Under favorable conditions we would even be able to reap about 1 million tons of fish from fishing grounds all over the world.

Our actual open sea capabilities have been lowered by one-half. Apart from our predictions, it is not presently possible to substitute these optimal capabilities of Poland's fisheries.

Saltwater fishing, and especially deep sea fishing, is in every case a capital-intensive sector of economic activity. It is subsidized in most countries by the government through various forms of aid. These are, for example, exemptions and tax reliefs, surcharges for building costs of fishing vessels, amortization of development debts, fuel price subsidies, the covering of costs of scientific research by enterprises, and the like.

In connection with economic reform, our fishing industry must also undergo the test of economic profitability and, in this same light, social usefulness. Judging by the initial comparative cost production estimates for meat and fish, including a comparison of their respective amounts of protein and edible parts, the fishing industry shows a certain competitive edge in relation to the breeding of animals. Cost comparisons made from 1977 to 1980 must, however, be verified, for at present we know neither the full costs of the fishing industry (for example, prices for new fishing vessels), nor the formation of agro-breeding production costs.

These problems have been analyzed in depth, and they certainly will become the fundamental basis in strategy decisions. Everything points to the fact that the deep sea fishing industry--despite cost increases--remains an important part of our food economy.

9866
CSO: 2600/424

ARGUMENT FOR PRICE-WAGE-MARKET BALANCE PUBLISHED

Warsaw RZECZPOSPOLITA in Polish 22 Mar 82 p 4

[Article by Jozef Popkiewicz]

[Text] The economic reform has been in the making for over a year, and the process of working out a legal framework for the reform has just been finally completed. The process was initiated by two important bills in 25 September 1981 concerning state enterprises and employee self-government, it was supplemented by eight bills passed by the Sejm in late February 1982 which provided formal guidelines for the functioning of the reformed economy.

This does not mean, however, an end to the debate over the final shape of the economic reform, especially over precise methods and day-by-day problems of its implementation. To the contrary, such a debate is both advisable and desirable in order to verify in everyday life the general guidelines and legal directives, and to adjust the agreed upon principles to the very difficult and unstable socioeconomic situation in which the reform will be implemented.

For a thorough and effective implementation of the directives and principles of the economic reform, it is crucial, on the one hand, to restore a market balance as soon as possible and, on the other hand, to introduce a strong system of incentives which would encourage workforces and enterprises to increase production and productivity in all branches of industry.

In practice, this would require a change in the structure of retail and producer prices, and an inevitable reform of wages, which should occur as soon as possible.

Material Incentives

The price-wage structure must reflect objective interrelations which should be preserved or, as in our case, restored in order for the economy to function smoothly and effectively.

To be sure, if we look at this problem in the context of the entire economy, prices and wages in themselves cannot bring about a change, that is, they can neither increase nor decrease the existing amount of manufactured goods and services available for individual or national consumption.

But on the other hand, the structure and level of prices and wages are decisive factors in fair distribution of the national product. They are also

essential in determining whether a distribution of goods among members of a society is smooth or tension-ridden, uneven, and full of everyday inconveniences.

Yet the most important function of prices and wages is to create situations and essential material incentives which would result in production growth, higher quality of manufactured goods, increased productivity, and continuous training of the workforce. Therefore, from the socioeconomic point of view, it is very important that wages reflect work efficiency. At the same time, it is important to have a balanced market so that purchases could occur freely, according to needs, desires, and likes of consumers.

Recent price changes are undoubtedly an important step toward the improvement of the overall relationship between the employees' cash flow and the availability of goods and services on the market. Unfortunately, those changes have not produced desired results within the inner price structure, thus deepening anomalies within the wage structure.

Beginnings of a Difficult Process

Hence the price increases can be seen merely as the beginning of a difficult process of restoring an economic balance and paving the way for the expected increase of economic efficiency.

The increase of official prices on basic foodstuffs has been very drastic, but it has not changed the market situation, and the rationing system must be still maintained. Neither has the increase assured profitable production, as it was assumed in the original proposal.

The increase in wages and benefits, which was neither included nor taken into account in the price reform, may also undermine the expected production profitability in the area of means of production. Moreover, the present level of prices in export and import transactions, which was used as the basis for the price reform, may have been underestimated and will require further revisions.

Balanced Market

Consequently, the greatest hope for a balanced market lies in fixed prices, established independently by enterprises in keeping with the present guidelines as well as retail and producer prices which by nature are balanced market prices.

Unfortunately, the structure of fixed prices has become quite chaotic, resulting in their sudden and unexpectedly sharp increase. This undoubtedly reflects a gap between the reform of producer prices and the change in retail prices which are arbitrarily set up by enterprises as early as the first stage of price calculations.

Enterprises have jumped on these arbitrary prices as an easy way to secure profitability through price hikes. Thus the enterprises avoid all risk. Moreover, they continue the fairly widespread wasteful management of labor and poor utilization of fixed assets and working capital.

The enterprises have been getting away with this situation because the largely imbalanced market allows for unjustifiably high profits. In a situation of insufficient supply, these profits come from the discrepancy between arbitrary market prices and fair prices based on reasonable cost analysis and average profitability.

But this situation may change drastically with the return to the balanced market which is the most efficient mechanism of price control. And then profit-oriented prices, based on a simple calculation of excessive cost and profit surcharge, may not generate sales, while balanced prices, dictated by the market, may not guarantee production profitability.

The independent enterprises must rapidly adjust to this entirely new situation of cost-efficiency requirements. They must focus their effort not so much on getting high prices but rather on lowering production costs and improving the quality of goods and services. Otherwise they will not survive a confrontation with the objective laws of the market.

In sum, however, the increase of fixed prices accompanied by the increase of arbitrary and free market prices may indirectly result in an improvement of the food market situation. But a return to a balanced food market will require more time, until agricultural production increases considerably.

For the time being, we must expect new difficulties which may result from the recent reform of wages and benefits. The recent salary supplements have produced an excessive leveling of wages and an unrealistic imbalance between employees' incomes, dependent on qualifications and work efficiency on the one hand, and benefits reflecting a number of dependents and social status on the other hand.

Productivity and Quality Are Number One

In practice, this imbalance means a lesser importance of wages as a material incentive to increase productivity and improve qualifications. Therefore it is urgent to reform wages, so that their function as an incentive can be restored. The reform is even more urgent because we do not know employees' response to profit as an incentive, and the progressive tax on profits may have a dampening effect on the projected results.

The expected wage reform can be implemented only if overall wages go up, for it is difficult to accept any possible reform including a wage decrease.

At the same time, we should remember that with the imbalanced market of manufactured goods, every wage increase may only worsen the situation, forcing a new price increase. All costs can be reduced to the amount of wages as a remuneration for indirect labor, reflected in used means of production, and

for direct labor, utilized in the last stage of production of a final product. Hence every wage increase which is not covered by increased productivity must result in increased production costs and consequently--in higher prices of manufactured goods.

Therefore the next wage reform should be based on the close correlation between every wage increase and the increase of productivity and quality, that is, the increase of economic effects. Only then can we avoid a new inflationary gap or the deepening of the existing one. Moreover, only then can we avert the looming danger of the inflationary spiral.

For these reasons, the reestablishing of the proper price-wage balance should be a top priority for both the administration responsible for wage and price policies and the Economic Reform Committee.

9852
CSO: 2600/505

PLANS, PROGRAMS OF AGRICULTURE, FOOD INDUSTRY OUTLINED

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 1, 8 Feb 82 pp 31-34

[Article: "Agriculture and Food Economy"]

[Text] Proper preparation of this spring's agricultural activities and substantial improvement in procurement are the most important current tasks under martial law for gmina chiefs, agricultural services, all subdivisions of rural cooperative system and association of farmers' circles. These tasks and lines of action were detailed in the following resolutions of the Council of Ministers passed last January:

--Resolution No 12 of 18 January 1982 on the terms for supplying farmers with grain seed and seed potatoes during 1982;
--Resolution No 19 of 20 January 1982 on one-time grain loans; and
--Resolution No 11 of 18 January 1982 amending the resolution on the general principles of contracting for farm produce.

Furthermore, late last January the Council of Ministers reviewed a draft development program for agriculture and food economy for 1981 to 1985. The program outlines basic objectives in the development of agriculture, methods of operation and resources for implementation and development directions for farm produce and food processing.

Before Spring Sowing

In the spring of 1982 farmers are expected to sow spring grain on nearly 3.7 million hectares, leguminous crops on approximately 240,000 hectares and industrial crops on 1 million hectares. Potato plantings acreage will approximate last year's, amounting to nearly 2.2 million hectares. A very difficult situation developed this year in the supply of seed grain to farmers. This calls for each gmina to develop detailed plans for providing their farmers with seed, including, as much as possible, the seed from their own stockpiles. Nationwide, a shortfall of 120,000 tons of seed below last year's amount is estimated. An acute shortage will occur chiefly in the supply of imported seed for leguminous crops, which should be realized by gmina chiefs and farm production organizers operating on the gmina level in order to activate local reserves, available locally in many villages, to the largest extent possible.

A significant shortfall should be anticipated in garden seed. According to estimates, no more than 60 percent of farmers' and gardeners' demand for onion seed will be met. Reserve supplies available to farmers in certain areas of our country must be sought.

Agricultural services on the gmina level and WOPR [Voivodship Center for Agricultural Progress] instructors should pay close attention to the condition of potato pits. These are expected to contain nearly 1 million tons of potatoes but, with poor storage, the quantity may be 300,000 tons fewer in the spring.

The supply of fertilizer to farmers will also be inadequate in the spring. In this situation, economical and sensible management of mineral fertilizer and proper handling of manure become the order of the day in every gmina. Fertilizer distribution should be arranged for minimum losses of fertilizer in the course of fertilizer spring sales.

An even more difficult situation will evolve in the supply of agricultural pesticides, which are for the most part imported. The domestic industry has only 60 percent of the components needed in manufacturing preparations for eliminating the potato beetle and 10 percent of the components for herbicides used to protect papilionaceaous plants. There will be shortages in the preparations used to dress sowing seed and protect strawberries, orchards and hops and tobacco on contract-crop fields.

Because of enormous shortages of tires and batteries, in some SKR's [Agricultural Circles' Cooperatives], state farms and RSP's [Agricultural Producer Cooperatives] many tractors will not be rehauled on schedule. During the spring approximately 50,000 tractors will remain "grounded." This figure equals the total annual deliveries of tractors to farmers. The agricultural sector is expected to receive no more than 50 percent of its orders for ethyl gasoline and 30 percent of diesel oil ordered for the first quarter of 1982. These are the fuel delivery capacities that farmers and agricultural services enterprises must consider.

There is nearly a 1.4-million-ton backlog in coal deliveries to farmers in exchange for delivered live animals. Even if last January's good rates in coal output are maintained, we cannot count on eliminating that backlog, despite a reduction of 300,000 tons of coal.

Deliveries of processed fodder in the first quarter of 1982 amount to 60 percent of comparable figures for 1981. Deliveries of construction materials and farm machinery will be significantly lower than those in a comparable period last year.

The scarcity of capital goods and construction materials supplied to the farm sector and recurring shortages have been compounded by the high winds of last year and this year's flooding, which affected many areas, primarily Plock, Konin and Wroclaw Voivodships. All these adverse developments impose a particular burden of responsibility on gmina chiefs, who, in conjunction with military commissioners, constitute unified decisionmaking centers in the gminas.

Supply of Capital Goods in 1982

According to information received from the Ministry of Agriculture and Food Economy, the outlook for the 1982 capital goods supply is as follows:

--Sowing material. Seed-plant yields and crops last year were better than in 1980. Still, procurement of seed from both nonprivate and private farms is unsatisfactory. According to estimates, the supply of qualified seed in the spring of 1982 will be substantially smaller than in previous years. Substantial shortages may also occur in those seeds that must be imported from abroad (e.g., alfalfa).

--Mineral fertilizer. The supply in the third and fourth quarter of 1981 was inadequate. Compared with the operational plan assumptions, estimated deliveries of fertilizer, in terms of pure components, were 581,000 tons of nitrogen (44 percent) and 409,000 tons of phosphorus (43 percent of the annual plan amount). The supply situation was aggravated by a low reserve stock of nitrogen and phosphorus fertilizers in gmina cooperatives. Considering the current economic situation, the chemical sector was asked to cut its 1981-1982 delivery plans to realistic proportions to 181 kg of NPK [nitrogen, phosphorus, potassium] per hectare of agricultural land. This is equivalent to a reduction in fertilization by 10 kg of NPK per hectare compared with the plan figures and, at the same time, a 5-kg reduction against fertilizer use in the previous economic year.

--Plant protection agents. Last year, there was a considerable decrease in the stockpile of these agents combined with difficulties in obtaining deliveries of imported ready-to-use preparations and concentrates. This will result in a very poor supply of these agents for the 1982 season.

--Electric power. Food industry plants are excluded from the plan for restricting electric power delivery and are to be supplied on a priority basis.

--Technical equipment. In many types of such equipment, the plan guarantees to meet 60 to 80 percent of the needs.

--Concentrated fodder. This is to be allotted as before, in exchange for delivered live animals. This principle remains unchanged.

--Coal. New principles governing coal sales are in preparation. Coal allotment for residential use will be increased. For the purposes of livestock and plant production, coal will be sold in keeping with technological standards.

Profitability in Agricultural Production

On 20 January 1982 at the Ministry of Agriculture and Food Economy, Minister J. Wojtecki met with public consultants on proposed changes in prices of capital goods and farm produce procurement. The meeting was attended by Sejm deputies and presidents and representatives of all the associations of agricultural producers.

In order to compensate farmers fully for increased capital goods prices and to insure profitability for the farms, procurement prices should be raised by 36 percent. This solution would necessarily involve further increases in food prices, which is impossible when retail food prices have already been substantially raised (according to effective procurement prices of December 1981). Procurement prices will rise, therefore, by 21 percent on the average. To obtain a comparable financial result, a state subsidy of 78 billion zlotys must underwrite prices of capital goods. Farmers' expenditures on capital goods will be reduced by that amount. Above all, this will affect mineral fertilizers, industrial fodder, seed, stock animals and some machinery and plant protection agents. This is not to say that the prices of these goods will not increase.

The average price increase in capital goods and agricultural services will be 150 percent. For example, an Ursus tractor's price will increase by an average 100 percent; an electric steaming plant, by 68 percent; combine-harvesters, by 114 percent; plows by 50 percent; ceramic tile by 196 percent; the cost of grass mowing will increase by as much as 786 percent.

The price of grain, expected to be 1,200 zlotys for 100 kg, was accepted as the basis for proposed procurement prices of farm produce. With contracted grain, however, the price will grow by 10 percent, amounting to 1,320 zlotys. A bonus of another 10 percent will be given for prompt delivery of contracted grain, so that the top price for grain will gross 1,440 zlotys.

Other examples of proposed prices are: 125 zlotys, slaughter hogs; 90 or 95 zlotys, slaughter cattle; approximately 320 zlotys, sugar beets; 3,960 zlotys, low-erucic acid rape; and 16 zlotys, milk.

In sum, the real value of incomes will drop by nearly 25 percent.

It was pointed out during the discussion that while with current prices a tractor can be bought for 20 porkers, with the proposed prices it would take more than 30 porkers. In France, for instance, a tractor is equivalent to 70 porkers.

The minister's consultants pointed out that the new conditions will not stem the flow of young people from the countryside, for things would be particularly difficult for them, especially if they are starting from scratch. It was emphasized that work time is longer in agriculture than in industry, and that a 104-to-100 ratio (earnings of farmers versus nonagricultural workers) is too low. Fluctuations and lack of direction in price modifications were criticized. It was repeatedly stated that farmers expect the prices to stabilize. Many detailed proposals were offered as well. For example, M. Aleksiewicz from Pila Voivodship proposed a summary raise (up to 1,500 zlotys) for grain prices, to be effective until the end of March 1982; afterward the proposed prices would be restored. Another increase in milk procurement prices by an additional 2 zlotys was suggested. Yet, as Minister Wojtecki affirmed, a 2-zloty increase in the price of a liter of milk would cause a decrease of 15 zlotys per kilogram in the price of state-procured meat.

The vice-minister, Professor Z. Grochowski, declared that the proposed price ratios may appear unacceptable. In the 1970's we were receiving a flow of American grain (more than 9 million tons in 1980). Farmers became accustomed to cheap grain and even cheaper fodder. Now that the flow has stopped, there are alarmist voices from all quarters that we are destroying animal production; other similar claims are being made. The proposed prices put a preference on plant crop production, especially grain. This stems from the fact that under no circumstances can there be a shortage of bread in our country.

During Poland's critical period, stable prices are temporarily out of the question. The socioeconomic situation frequently changes very rapidly. Price relations will be further analyzed; comments from the discussion will be taken into account. Corrections will be minimal, however, because there is little room for maneuvering.

In conclusion, Minister Wojtecki stated that the proposed solutions are currently the most favorable ones for agricultural producers. Understandably, people will not be satisfied. Their attitude may change when goods start to be supplied to the market. Prices cannot be stable, but the concern is with establishing reasonably good price ratios in agriculture. Because of rising prices of machinery, machine cooperatives should be formed by small farmers. At the same time, the ministry must reflect on what kind of assistance it can offer to young people in the countryside.

Minister Wojtecki emphasized that once martial law is lifted, all prior arrangements and social contracts concerning agriculture will be implemented.

General Draft Contract

Owing to the current difficult situation in agriculture, the ministry is anticipating the introduction of general contracting for all animal and plant products. It is to be based on the close intermeshing of production with contracting and of procurement with the acquisition of capital goods. Procuring units will be responsible for procurement quantities, contracting and insuring proper conditions for contracting. Proper computation can determine what amounts of fertilizer are needed per hectare of a particular crop, so that the total quantity of farm produce that a farmer contracts to deliver will be the basis for his purchase of corresponding amounts of fertilizer. Fodder sales will be interrelated with animal product quantities, and coal with animal and plant product quantities, sold by farmers to the state. Prepayments on purchases of fixed assets will be accepted if a contract agreement is first concluded. Prepayment programs will be run on a first-come, first-served basis. To prevent the sellout of attractive machines to the same farmers, a decision on the purchase of such machinery should be given by a farmers' self-government body in consultation with local chiefs.

The purpose of these proposals, regardless of all their shortcomings, including an enlarged administrative apparatus and a more complicated system for the clearing of accounts, is to protect agriculture from instituting compulsory deliveries.

New Terms for Grain Contracting

Meeting halfway the farmers' and agricultural organizations' stipulations for contracting to insure profits higher than sales of uncontracted grain, the Council of Ministers passed on 18 January 1982 Resolution No 11, which introduces essential changes in the previous Resolution No 124 on general principles of contracting for farm produce. To improve contract terms in grain, procurement prices of contracted grain will be 10 percent higher than those of uncontracted grain; a bonus equal to 10 percent of the base price will be paid for prompt grain deliveries.

Following the appeal of the Military Council of National Salvation and conversations that agricultural service, gmina office and gmina cooperative personnel and socio-political activists conducted with farmers, the procurement of farm produce improved slightly last January. It continues to be unsatisfactory, however, in view of the needs and mandatory deadlines of contract agreements.

Tasks for Voivodship Offices

In connection with the need to intensify procurement of farm produce, the Ministry of Agriculture and Food Economy considers it necessary to:

--examine the cooperative banks' servicing of agricultural producers and the process of opening special accounts for them,

--institute ongoing inspection of the results as a follow-up on the conversations with agricultural producers and their pledges to deliver farm produce,

--accelerate preparation of agricultural produce procurement tasks in gmina units, whose plans should allow for full utilization of each gmina's productive potential,

--clear, no later than 30 March 1982, all backlogs in supplying agricultural producers, in connection with the anticipated change in coal sale principles after 1 April 1982.

Grain Loan

To insure continuity in supplying the population with bakery goods and processed grain products under martial law, on 20 January 1982 the Council of Ministers passed Resolution No 19, introducing a nonrecurring grain loan for individual farmers and socialized units in the agricultural sector. In exchange for uncontracted grain delivered to procurement stations by 30 June 1982, individual farmers and socialized units in the agricultural sector can receive remittances in grain bonds, to be realized by cooperative banks from 1983 to 1985 at prices effective in grain procurement on the date a bond is presented for realization. Grain bonds are also subject to interest at levels applicable to savings, payable on request. The value of grain delivered under the loan program will be included in computations of base annuities and pensions.

The grain loan was suggested in December 1981 by peasant activists and gained support of the Ministry of Agriculture, economists and many farmers. It is a problem of major significance, considering that grain and flour stockpiles in state storage facilities will last only until March to provide bread to the market. Meantime farmers owe more than 1 million tons of grain from the 1981 harvest, which they obligated themselves to sell to the state. Taking into account the amounts of grain harvested in 1981, farmers will start the new harvest with an estimated 1.5 million tons in reserve. There is an increasing backlog due to nonfulfillment of contract agreements, while poor deliveries of grain have been chiefly motivated by the fear of the devaluation of money received in exchange for the delivered grain. The institution of the grain loan and disbursement of remittances in the form of bonds provide a genuinely stable currency--one, in fact, well known to older rural residents as the so-called grain zloty of the interwar period.

Agricultural Development Program for the Crisis Resolution Period

On 18 January 1981, the Council of Ministers reviewed a program for agricultural and food sector development from 1981 to 1985, prepared by the Ministry of Agriculture and Food Economy. Until 1985, the strategic objective in the development of agriculture and the food sector is the provision of food to the country's increasing population on levels of per capita nutrient consumption at least as high as those already attained, along with a major improvement in the country's self-sufficiency in food.

To accomplish this goal, the following will be needed:

--a major restructuring of the entire national economy in order to meet the needs of agriculture and food industry,

--improvement in management efficiency in agriculture,

--regulation of the market and money situation (elimination of the so-called inflationary curve and adjustment of retail prices to match social costs of production), which is the principal condition for effcient use of capital goods, formation of economic conditions that favor production and identical parity of incomes of agricultural and nonagricultural population (as recalculated per fulltime employee).

Among other tasks for agriculture in the c rrent 5-year period is the restoration of proper ratios, lost during the 1970's, between the volumes of plant production and animal production. Growth rates in animal production have been 2.5 times higher than in plant production. In relation to the annual average of the past 5-year period, plant production growth rate over the present 5-year period will be approximately 2.8 percent annually, while in animal production it will amount to approximately 1.8 percent. This will produce definite changes in the structure of consumption as compared with the 1980 structure, including:

--a slight decrease in overall protein consumption primarily due to reduced consumption of meat and fish, accompanied, however, by increased consumption of milk and leguminous plants,

--stabilization in the consumption total of fats, with a concurrent increase in the consumption of plant-origin fats,

--increased consumption of carbohydrates.

Poland's difficult economic situation restricts opportunities for dramatic improvement in capital goods in the next few years. For this reason, the main thrust of action in agriculture will be improved efficiency in managing the entire potential of factors in the production process--i.e., land, fixed assets and working capital--and limiting losses in agricultural raw material, produce and final products.

Reduction of Losses in Agricultural Raw Materials and Food

Current losses in principal agricultural raw materials are estimated at 15 percent in potatoes, 10 percent in sugar beets and vegetables and nearly 5 percent in grains. The greatest losses are suffered during harvesting and storage of fodder crops, as they amount to approximately 30 percent of produced bulk.

By 1985, a significant increase should be noted in the deliveries of equipment for harvesting and storage of bulk fodder, including green-fodder harvesters, mower-chaff cutters, straw presses and steaming plant pillars.

To reduce losses in milk and milk products, proper conditions will be established for improving dairy equipment and milk transport. Deliveries of milking machines to private farmers will be increased, and the manufacture of milk-cooling appliances will be expanded.

Soil Productivity Increased

To raise farmers' interest in efficient land management and improved land use, peasants' enduring land ownership will be legislatively reaffirmed and conditions will be created for unobstructed turnover of land from sector to sector and within the private farming sector. There will be substantial increases of outlays on reclamation of tilled land and grasslands so that it encompasses approximately 700,000 hectares, including 540,000 hectares to be drained.

The deliveries of tractors and quantities and selection of auxiliary equipment will be increased. It is assumed that 1985 tractor deliveries will be 80,000 tractors as against 57,000 tractors in 1980.

Tasks in Farm Produce and Food Processing

It is assumed that the 1982-1985 farm produce and food growth rate will be determined by the volume of raw material resources obtained from agricultural production and by the magnitude of expansion of processing capacity. Consequently, food industry activities will be geared toward:

--adjustments in the agricultural production structure to meet the needs of industry and to satisfy basic needs in supplying the population with

foodstuffs through improvement in the contracting system, reinforcing the role of raw material services and establishment of local raw materials bases,

--further organizational-technical improvement of farm produce, development of new forms for procuring farm produce and improvement in assessing and pricing farm produce,

--improved utilization of farm produce to meet domestic and export needs and to reduce losses in procurement, hand'ing and storage and

--improvement in the quality of agricultural raw materials as well as in the quality and durability of finished products, especially dairy, fruit and vegetable products, meat products and baked goods, along with progress in insuring a better product mix.

Taking into account the anticipated 1982-1985 production of agricultural raw materials and increases in the processing capacities of agricultural industry, it is assumed that during the emergence from the economic crisis the food industry will increase its output by 15 percent by 1985.

Investments in the Food Sector

When determining the quantities planned for 1982-1985 levels of investment outlays for agriculture and food industry, the following were accepted as strategic objectives:

--marked reduction of 1982-1985 investment outlays through savings throughout the national economy,

--difficulties notwithstanding, a priority to the food complex, manifested in the reduction of investment outlays for agriculture and food industry less than average in comparison with the 1976-1980 investment levels,

--accomplishment of a necessary radical change in the structure of investment in order to meet urgent needs delimited by the tasks to be performed in the development of agricultural production and processing.

Principles for Resources Management

Because of persistent shortages, capital goods will be channeled for the most part to fundamental segments of agricultural production, vital to its development. In the first place, this will involve action to contain losses in the fields (plant protection agents), in storage and maintenance of agricultural products, most importantly fodder, and in the entire cycle of milk production, procurement and processing.

With regard to supplies of mechanical devices to agriculture, the draft program assigns primary importance to completing the expansion of the tractor industry, increasing the quantities and selection of auxiliary equipment, increasing the production of machinery and equipment transport vehicles, power and cooling appliances and insuring complete utilization of existing resources of the agriculture and food industry. Full coverage of the required replacement

parts, tires and batteries, propulsion fuels, basic machinery and hand tools, horse-drawn implements, along with streamlining technical services to farmers should occur in 3 years. It will occur earlier for certain items, at the cost of temporary restrictions on the production of new machines.

Improvement in the entire technical support base of agriculture and in organized services to farm establishments should result, above all, from the ongoing economic reform, from the independence of production [PGR, state farms] enterprises and service, from restoration of agricultural self-government's influence over the production system and from performance of services for the benefit of the food sector.

8795
CSO: 2600/417

NEED FOR TECHNICAL INNOVATION IN STANDARDIZATION ACTIVITY

Bucharest ERA SOCIALISTA in Romanian NO 4, 20 Feb 82 pp 14-17

[Article by Victor Calcan]

[Text] The year 1981 marked the completion of a particularly important stage in the activity of standardization of production procedures, lines and facilities and also of products, civil and industrial engineering, of materials and sections for construction and installations. In accordance with the tasks set at the Work Conference with designer technologists and construction planners in the key economic branches, which was held at Neptun in July 1979, the period that followed saw an intensive standardization activity in enterprises, scientific research and engineering units, industrial centrals, economic ministries and central bodies of synthesis. This activity was guided and coordinated by the Party and State Commission for Standardization Affairs in the Overall Economy.

The essential aims pursued in the standardization activity are: a. Reducing to the strictly necessary amount -- corresponding to an economic and social optimum -- the number of type-sizes of materials and products, of subassemblies, machines and installations, and of types of lines of production and of civil and industrial engineering which are turned out at home; b. Upgrading the technical and qualitative level of production, by broad promotion of technical-scientific progress; c. Better using raw materials, supplies, fuel and energy.

All this primarily involves qualitative objectives, designed to end the unjustified and harmful proliferation of some products and structural approaches -- a price paid for the exclusively quantitative outlook, predominant in the old days, in regard to economic processes -- to establish a genuine management of diversity and ensure the continuous upgrading of the activities of research, design and production, optimal utilization of production facilities, proper organization of production and work, saving of society's material and financial resources. Of course, the encompassing of all the sectors of material production in this outlook has involved the strict organization of standardization procedures, their development in a uniform concept for the overall economy, the participation of large teams of experts in research, design and production, from ministries and other central bodies.

As procedures were being completed, by decrees of the Council of State approved were the standardization of steel brands and products (March 1980), the standardization of constructions, technologies, and of materials and sections for constructions and

installations (December 1980), the standardization of production lines and installations, of products (June 1981). Hence, because we find ourselves at the end of the first stage in standardization activity, we believe that it is appropriate to examine what has been achieved, but especially to evaluate the activity conducted, with special emphasis on what should be further done.

For instance, standardization in the area of construction proceeded in close correlation with standardization of production techniques and facilities, so that the sizes of buildings and of the other structures may strictly comply with the requirements of production processes. Based on the analysis of the fund of designs in existence and selection of the most modern and efficient approaches, there were developed and approved about 500 standard-designs, which replace a far greater number of designs used so far. These standard-designs are characterized by optimal sizing of the area and volume of constructions, in accordance with their purpose, and the modulation of the buildings' sizes for uniformization of prefabricated sections; expanded use of light materials and parts, of local materials; reduction of fuel and energy consumption rates, as a result of improved thermal insulation, use of unconventional energy sources and limited use of energy intensive materials.

Concurrently with standardizing constructions, also achieved was the standardization of materials and parts for constructions and installations, with emphasis on broadening the fields of using those with incorporation of minimal energy consumption levels, the materials with addition of ash from steam power plants and blast-furnace cinder, volcanic tuff, soft limes, tufaceous limestone, and so forth.

As a result of standardization of constructions, of production technologies, lines and installations, under the 1981-1985 Five-Year Plan provisions involve a significant decline in the cost of investment projects and the reduction of consumption rates for cement, metal, bitumen, cables and the like.

For the purpose of product standardization, experts examined about 1.3 million type-sizes and more than 20,000 state standards and branch technical norms. In order to ensure top efficiency for standardization projects in this area, comprehensive and repeated analyses for groups of products were organized, with the participation of manufacturing units, users and research and engineering units, aimed at eliminating products without outlets and replacing those that had gradually become noncompetitive, some precisely because their production involved high consumption rates for materials and energy. In other words, a major step involved "repeated shaking of the tree" so that all spoiled, unhealthy fruits may fall.

It must be pointed out that product standardization proceeded in close correlation with the standardization of production technologies, lines and installations, with the aim of making better use of the base of raw materials and energy and reducing imports. The economic effects of the standardization of products have made themselves felt in the rise in production series and labor productivity, reduction of consumption rates for raw materials, supplies, fuel and energy, concurrently with the increase in the degree of their utilization in production, decrease in imports and so on.

We may state that the machine building sector is the one that is most involved in the standardization effort. More than 830,000 type-sizes of products were critically

analyzed. The products with noncompetitive technical-economic features were eliminated from production and also the basic structures of the systems of machines and installations were finalized. This will permit the further upgrading of research and design activity and wide-scale use of multipurpose parts and subassemblies in the production of machines, apparatus and installations. For instance, finalized were the system of farm machines, the system of steam, hot water and warm water boilers, and so forth. Moreover, conditions have been created for upgrading the streamlining and specialization of enterprises.

The approach was different in regard to products in the light industry, with standardization only involving the groups of products that are not affected by fashion or the change in the structure of raw materials, with the focus on full utilization of reusable materials. Similarly, in light of the influence of climatic factors and the needs for continuously adapting food production to the population's needs, in agriculture and the food industry standardization only involved some products which constitute basic raw materials for other industries. Also, in light of the requirements for diversification, consumer goods turned out by the chemical industry (cosmetics, chemical items for household use, detergents, and the like) were not included in standardization.

Hence, one may state that, as a whole, standardization activity involves an effort to properly manage the national assets, a program based on wisdom and ensuring of the highest possible efficiency in the overall economy. But standardization does not end with the stage covered; it has a marked character of continuity and is a constantly perfectible endeavor. Of outstanding importance is the fact that there is now a fairly ample experience gained in this field, one that enables knowing how one can work better qualitatively and faster, based on a logistic apparatus (organizational and methodological framework, experts and the like) that is experienced and efficient.

Switch to New Quality in Standardization Activity

In this area, in the first place it is necessary to most rigidly and strictly implement standardization and the related measures specified. However, it must be pointed out that almost 2 years after the enforcement of standardization of steel brands and products, for instance, even though the regulatory act clearly stipulates a number of obligations (thorough absorption and strict application of provisions on standardization, tailoring technical-economic documentations to fit state standards and the lists of standardized items, extended use of steels for general purposes and of thermally treated steels, continuous upgrading of production techniques, and so on), in a number of machine building enterprises serious deficiencies exist.

For example, there have not yet been established special programs for distinctly monitoring, from the stage of product designing, the better use of alloy steels. Often, in designing products experts simply ignore the correct selection of steels, in light of the working conditions for the part, machine or installation involved, preferring the "easy approach" of indicating superior brands from alloy steels. Generally speaking, the modern techniques for treating carbon and mildly alloyed steels are little known and are used in a small number of units. Moreover, it has been noted that experts in a number of enterprises limited themselves to replacing the type-sizes eliminated with standardized type-sizes, without redesigning the

products. Consequently, instead of obtaining lower consumption rates for materials there has been an unjustified rise in these rates.

Likewise, in the area of constructions, delays were noted in adapting construction documentations to the standardizations specified. Many units encountered difficulties in completing investment projects because they were not adequately provided with standardized materials and parts for constructions and installations.

These deficiencies could have been avoided if the ministries and the other central bodies had provided constant guidance and supervision for the purpose of strict following, by all economic units, of provisions on standardization.

In the second place, it is necessary to continuously update standardization, by adding new elements of scientific and technical advances. For instance, experts upgraded and will submit for approval standard designs for dwellings, the lists of materials and parts for standardized constructions and installations (supplemented with outfits, machines and installations approved in 1981 and which use new and recoverable energy sources) and the standardization of steel products by including new brands and replacing some type-sizes with more efficient ones.

Furthermore, this year will see the completion of standardizations projects for new groups of products, that were not included in the first stage -- abrasives, metalworking machines based on unconventional procedures, pneumatic portable machine-tools, electric auto equipment, technical rubber items, and the like. By the problems that need to be resolved, some of these groups of products involve genuine "hot zones."

Such a "hot zone," for instance, involves technical rubber items (conveyer belts, trapezoid and wide belts, pipes, gaskets, bends, joints, rotation sleeves, mats, plates, and the like), whose standardization could not yet be completed because of the complex nature of this group of products and the large amount of information needed to be processed for proper standardization. Also, the standardization of such rubber products must be achieved in close correlation with standardization in the machine building industry, by determining a rational gamut, that meets the needs for new machines, outfits and installations, for those being currently produced and for those that are part of enterprises' equipment.

Rationality, Efficiency of Standardization

The essence of standardization involves introducing sensible restrictions in the tendencies of unjustified diversification, by selection and reduction of possible options within the limits of a diversity of products, technologies, installations and the like, which were rationally established and which must conform to an optimal economic and social level. For instance, in the case of products, the focus is on specifying the optimal number of sizes, specific features or types of a product, required to meet the prevailing needs. Standardization by no means involves purely mechanical or excessive reduction in the number of type-sizes or blockage of product diversification. For example, irrational reduction in the range of metallurgical semifabricated products can lead to higher operating costs in the machine building industry as a result of the need for extra processing, costs that might exceed the savings achieved from standardization in the metallurgical industry.

Hence, prominent in standardization is the imperative of optimalization, which can be met only by the close cooperation of responsible parties in research, design, production and operation. In this way this activity acquires an ample scientific content and a profound and realistic economic content.

The reduction in the number of type-sizes of materials and products by standardization, although it is significant, does not exhaust its objectives and values. This is true because standardization must concomitantly ensure the optimalization in the management of all the diversity of production, so that, in the context of severe standardization and uniformization of subassemblies and components, greatest possible flexibility may be achieved in designing the final products. That is why it is necessary, specifically in the machine building industry, to emphasize the facets of standardization of components and their design in the form of families or uniform series of products (based on common structural principles and forms and using many identical assemblies and parts), to extend the use of the modular concept in the building of machines, outfits and installations.[1]

Such approaches create the premises required for completing the stage of specialization of enterprises as to groups of related groups of outfits and promotion of organologic specialization, based upon concentration on the production of modules in specific enterprises. Moreover, also made possible is the switch to organization of production from unique outfits to small-series production of standardized families of machines and installations for uniform operations. In this context, also, we cannot ignore the problem of development of systems of modules with complex functions, such as controllable high-power electric drives, industrial robots, automated processing modules and the like, which are basic ingredients for flexible automation of the various production processes.

The effects of the application of the modular concept, consequently, are mirrored in various areas -- in design, by the possibility of planning, with very speedy feedback, new sophisticated machines and installations, chiefly composed of known and tested modules but ones that were assembled upon new set-ups; in production, by the significant rise in production series, a fact that permits utilization of advanced techniques that involve great automation, and the switch to superior forms of organization of production and work; in operation, in the area of maintenance, by wide-scale use of the repair method that involves replacing defective modules, and so on. In regard to the most direct effect which is felt in production -- the rise in production series -- we must point out that, as a rule, the cost of a product that was turned out serially decreases in proportion to the fourth root of the number of units produced.

It is evident that standardization cannot and must not satisfy all the needs for type-sizes of the various products, for every maker or user; its aim is achieved if it meets the prevailing needs. However, in order for standardization to be viable, it must be efficient for all -- makers, recipients, users. The standardization of materials, for instance, must not lead to the increase in relative consumption or greater weight of products. In the cases when, by replacement of some old sizes of materials with some from the standardized range greater consumption has, nevertheless, resulted, it becomes mandatory to redesign the subassembly involved or even the entire product and make the required structural improvements for integration into the consumption standards.

Rationality and efficiency cannot be achieved by standardization projects conducted in campaigns or sequences, in the various sectors, but only by a permanent activity, organized and planned at the level of enterprises, research and engineering units, industrial centrals and central institutes, central and local organs. This requires fostering and promoting on an overall scale, in the entire economy, a new way of thinking and acting technically and economically in the activity of design, production and operation -- for the purpose of systemic tackling of the issues pertaining to the production of material assets.

In the area of design it is necessary to extend, in the future, the standardization of computer data, methods and procedures and specify, by state standards or branch provisions, uniform computer and design procedures. Also, it becomes necessary to create a data processing system in the area of standardization -- at the level of unit, central, ministry and overall economy -- a system that permits prompt estimation of standardization activities in other units, the results obtained and the standardization programs for the various groups of products, techniques and categories of materials. But for this standardization itself must prove that it has organized its own area, on the basis of classification, codification and rational symbolization of products and components, for the purpose of rapidly retrieving information and easily identify the products.

To ensure efficient standardization, a number of problems arise in regard to imports of products, facilities and production licenses. Of course, by no means do we plan to standardize what is being manufactured in other countries, but for the sake of our own efficiency it is necessary to introduce the obligation that in effecting imports of machines or installations the focus should be on integrating these into the standardizations adopted internationally, for their fitting or being adaptable to the standardization established in this country. Furthermore, in procurement of technical facilities and production licenses we must see to it that production can be achieved with standardized raw materials, supplies, semifabricated products and components of domestic make or resulting from international cooperation. This will also help to resolve matters relative to maintenance, repairs, provision of spare parts, reuse of parts and materials in the make-up of the machines and installations imported.

Criteria of Quality and Competitiveness

By the objectives pursued and the polarization of effects, standardization is part of the efforts to emphasize the intensive facets of development and focus on meeting the needs that involve high quality. For instance, the efforts to optimalize the range of type-sizes dovetail with those aimed at improving the quality and reliability of products and ensuring superior technical and functional performances. Moreover, the development of a production of standardized modules, characterized by a high qualitative level as to design and production, is a very efficient way to extend qualitative performances in the overall production and continuously enhance competitiveness.

Consequently, a product will be standardized only if it corresponds qualitatively, has superior performance and requires lower consumption rates in terms of raw materials, supplies, fuel and energy for production and utilization, in other words, if it is competitive under all aspects -- structurally, technologically,

functionally and economically. This approach to the problems of product quality also involves a change in the outlook on saving material and energy resources: enhancement of the quality of products and extension of their life are more and more clearly becoming key factors in ensuring proper management of assets.

It is known, for instance, that a part, a subassembly or a facility with defects involves extra consumption of materials, energy and labor, generated by the need for repairs. Generally speaking, the cost of "nonquality" of products -- that is losses caused by rejects, repairs, rejection at inspections, servicing in the guarantee period, return from users, and the like, and which, in most cases, stem from failure to abide by technological discipline -- is fully quantifiable and according to some estimations, may reach 10-15% of an enterprise's turnover. [2]

For turning out products at the qualitative level specified in standards or technical provisions it is not sufficient to ensure the required number of quality inspection points. This can help to reduce or avoid delivery of unsatisfactory products but cannot improve the overall performance of the enterprise. Actual upgrading of product quality can only be achieved by analysis and exact estimation of the causes that generate defects, by specific and efficient steps to eliminate these defects and step up the efforts to prevent violation of quality provisions. This will have a positive impact on operating costs as well.

Illustrative in this context is the case of the American color television company "Motorola" -- bought by the Japanese firm "Matsushita" and renamed "Quasar." The Japanese introduced new models, new production methods, quality components, organized "quality circles" and the like -- expensive innovations but ones that were fully redeemed by reduction of costs generated by the unsatisfactory quality of the television sets that were turned out previously by this firm. In only 3 years (1974-1977), the firm had a spectacular recovery: the cost of servicing during the guarantee period went down from $22 million to $4 million a year and the number of repairmen from 120 to 15; the number of breakdowns of television sets in buyers' homes decreased from 150 to 4%. [3]

Consequently, "nonquality" is very costly, far more costly than all the efforts required to ensure the quality needed in terms of compliance with standard provisions. Attaining high quality of products primarily involves strict following of technological discipline in all the stages of the production process and rigid technical inspection throughout production. This latter factor is not limited to the production flow and finished products; it must commence with inspection of the quality of raw materials, supplies, parts and subassemblies from the point of purchasing and their introduction in the production process.

In this context, we must point out that relatively recently, in an electronic enterprise, for instance, a so-called "acceptable quality level" (AQL) of 98% was considered acceptable. At the present time, for the components introduced in production, demands have reached "parts per million" (PPM), that is the level of today's exacting specifications versus the previous ones has increased by a factor of about 10,000.

Capitalization on Domestic Research

An essential factor in ensuring efficient standardization, in continuous enhancement of technical-functional performances of components, modules and final products on a par with competitiveness on the foreign market involves putting to good use domestic scientific and technical creativity. Because of the high technical level and qualitative discrimination in the domestic production of a number of items (tractors, electric engines, oilfield equipment, automobiles, and so on), their export now exceeds 50% of the volume of all output.

As for the promotion of new developments, it is significant that in the machine building industry -- hence, in the branch that is responsible for the technical progress of the overall economy -- more than 90% of new and modernized products which will involve an arrangement for production under this five-year plan will be based on domestic research. Moreover, research, design and production confront pressing tasks in the area of reducing imports to the strictly necessary level and meeting, based on domestic resources and to the greatest possible extent, the needs for raw materials, supplies, fuel and energy, machines, installations, and so forth. For a wide range of products which we are still importing (glass fiber tubes and tapes, rigid clothings, various types of electric drives, and the like), the production techniques have been developed.

What is the impact of the above-mentioned matters on standardization?

In the first place, it is evident that one cannot conceive a rigid, hermetical standardization, that is divorced from realities and perspective. Completion and use of this kind of standardization would shortly become an impediment to promotion of the new, including the effort to maintain and extend our export on foreign markets. Hence, standardization must operate as a dynamic system, with great adaptability when new requirements occur -- generated by inverse connection, by newly emerged factors of technical-scientific progress in this country or in the world, and so on -- a system capable of maintaining its control value regardless of the power of possible situational disrupting factors. In order to ensure such openings to standardization and also the required receptivity and flexibility, it must be constantly upgraded, improved.

In this context, an important factor involves the standardization programs for groups of products, technologies and categories of materials, programs that are in the process of being developed by ministries and the other central organs. They will provide a clear picture of perspective and will ensure a very high level of specific finality to standardization. Once finalized, the standardization programs will be a valuable source of provision of objectives for the plans of research, development and introduction of technical progress. In our view, the research and engineering units should act as "general designers" in standardization of groups of products in their specialty -- ensuring the overall design on standardization, the systemic vision and the application of the modular concept -- and the central institute should exercise this function at branch level.

In the second place, it must not be ignored that we produce not only with raw materials and supplies occurring in this country, that we produce not only with machines and installations made in this country and that we do not turn out an output for domestic needs only. In conformance with the development level which we

have attained and the investments we have made, we naturally wish to promote trade and technical-economic cooperation with other countries, to ensure a surplus trade balance and an equilibrated payment balance. This requires that in determining -- by state standards and branch technical provisions -- the ranges of type-sizes of products, the ranges of parameters, close integration with the international standardized ranges be pursued. This will help to avoid creating obstacles in our trade exchanges and will effectively promote exports.

In the third place, we focus on the obligation to redesign items under current production, for their compliance with the provisions that result from the standardization activity. But redesigning must also primarily focus on the qualitative objectives on reducing consumption rates for materials, energy and labor, cutting down the weight of machines and installations, and enhancing technical-functional features.

In conclusion of these considerations, we wish to point out that all conditions have been created for attaining a profound qualitative change in standardization activity, for transition to intensive standardization. Moreover, we can state that the level and efficiency of standardization today represents one of the indicators that reflect the degree of "technical civilization" of an economy.

FOOTNOTES

1. Ion Crisan, "Relevance of Flexible Technologies," in ERA SOCIALISTA, No 12/1981.

2. "Guide des Couts Relatifs a la Qualite" [Guide to Costs Relative to Quality], in AFNOR Collection, Paris, 1981.

3. Z. M. Zuran, "Quality of Products: An Imperative for the West," in ENJEUX, No 16/1981.

11710
CSO: 2700

SHORTCOMINGS OF ECONOMIC 'REFORM' CITED BY VIENNA PAPER

Vienna DIE PRESSE in German 20 Apr 82 p 3

[Installment No 6 of Series on 'CEMA Between Crisis and Reform' by Erich Hoorn: "Where Managers of the Economy Have No Authority: Romania Continues Its Wait for Prosperity"]

[Text] Vienna--Among all the CEMA states,Romania's economy is being managed under the tightest reins. In this respect it even surpasses the USSR. By exercising this severe centralism, state and party chief Ceaucescu hopes to catapult Romania, which still sees itself as a developing nation, as soon as possible into the club of prosperous states. However, the country's industrialization is taking place at the expense of its agriculture.

Now it is paying for this: because of its hasty development, industry is very badly structured and agriculture produces too little, resulting in a new low for the population's subsistence. Every Romanian is forced to work hard; the 46-hour week is only gradually being introduced. In view of this situation, there is not much motivation. Small wonder that the country, the second CEMA nation after Poland, is forced to refinance its credits in the West because for practical purposes it is bankrupt.

Similarly to the other CEMA countries, a discussion about economic reforms was started during the 1960's in Romania also; but it was never put into practice. Only in 1978 was a document published which provides for reforms in the planning and direction system. The reform which is presently in place provides for an increase in autonomic management of enterprises and worker profit sharing. At the same time, emphasis is being placed on independent financing of the firms: their expenditures are supposed to be covered by their earnings; in addition, they are expected to make a profit and not to depend on subsidies.

The change in price structures certainly was a positive measure. This is because Romanian enterprises did not feel the oil price shock for a long time since energy and raw materials prices were kept stable. They were increased by about 100 percent only in early 1981, which is still less than in the West. Thus the enterprises are increasingly feeling the chill affecting the world markets.

However, whether or not this change in prices will change the Romanian economic structure for the better remains to be seen. While administrative management has been simplified, there has been no decentralization of decisionmaking authority down to the plant level. True, the enterprises may make various planning suggestions to the central authorities; but actual decisions are still made at the top. In this, the ministries carry the greatest weight.

This is in marked contrast to what is happening in the GDR. While in the GDR big units--conglomerates--were created, which also absorbed small enterprises, which constitutes centralization, their authority has grown at the expense of the ministries and the central planning authority. This still amounted to some decentralization in the GDR. Large-scale enterprises predominate in Romania also, but their authority remains at a minimum; they are entirely dependent upon decisions coming from higher levels.

The party bureaucracy has the final say in Romania; the technocrats and managers are subservient to it. Action is frequently taken which results in reductions in so-called "non-productive personnel," including management. At the same time the technocrats--as is the case also in Albania--are required to work part of their time in production, which certainly does not improve their image and which demoralizes them. The highly touted "autonomic management" thus does not make itself felt to any degree, except that it is being talked about.

Experts think that the Romanian leadership is today copying the economic mechanism which was publicized in other East European countries during the 1960's. No one can say whether this will bring greater effectiveness to the workings of the economy or whether productivity will increase. Nor is it easy to tell to what extent independent financing will be successful and thereby relieve the budget of subsidies.

In the foreign trade the reform has to date had only a negative impact on Western firms. That is because now every foreign trade firm must achieve a balance between income and expenditures in foreign currency. What that means for Western businessmen is that pressure to consummate undesirable compensatory deals has increased enormously. Nobody in Romania would dare to make an import deal without forcing the Western exporter to purchase certain products in return. This has further contributed to increasing the unwieldiness of the Romanian foreign trade system.

Inasmuch as Romania is a member of the International Monetary Fund (IMF) and the World Bank, it is required to work closely with the agencies of these two international financial organizations. They are extending help to the regime which is unable to pay its obligations. At the same time, efforts are made in cooperation with IMF experts to work out some standardization of internal exchange rates. At the present time there is a different internal exchange rate for almost every group of products, which further shows variations for export and import. Some changes are to be made in the future also in exchange rates with the exterior. The lei is to become convertible for the long term. The Romanian conducator (leader) has emphasized this on several occasions. In fact, the country is required to do so by virtue of its IMF membership.

Despite the economic reforms, last year's 2.1 percent growth has been the smallest to date for Romania. That is not exactly proof of the effectiveness of these measures.

(To be continued. Prior installments were published on 29 March [Introduction], 1 April [GDR], 6 April [CSSR], 9 April [Poland] and 14 April [Bulgaria].)

9273
CSO: 3103/442

IMPORTANCE OF DEVELOPMENT OF LIVESTOCK INDUSTRY

Bucharest ERA SOCIALISTA in Romanian No 4, 20 Feb 82 pp 11-13

[Article by Emil Petrache, deputy minister of agriculture and food industry]

[Text] The dynamism of economic growth in Romania stems from the party policy of industrial and agricultural development on modern bases, with the superior involvement of the decisive action of these branches on economic growth and improvement of the standard of living of all the people. In this comprehensive and complex process the party places a very special emphasis on accelerated intensification and modernization of agriculture, proceeding from the concept that a highly productive and profitable agriculture is a vital requisite for the country's population, representing, along with the domestic resources of raw materials, the groundwork for the vigorous and overall growth of the whole economy.

Against the overall backdrop of the qualitative renewal of agricultural production, which is one of the effects of agricultural cooperativization, a process completed 20 years ago, better and better conditions are being created for the development of the livestock industry -- a major branch of agriculture, with a vital, unique role in people's life, ensuring, by its multiple functions, the transformation of the resources of vegetable products for foddering purposes into livestock products. Hence it is instrumental in the diversification and intensification of agricultural production, in the satisfaction of human consumption needs in terms of animal proteins, and also in supplying industry with raw materials. This also accounts for the sustained efforts to develop new breeds of animals that are more productive and more precocious, for the use of most appropriate feeding techniques and intensive raising and fattening methods. Today, livestock production, on a world scale, is characterized by a high level of modernization and expansion and is the agricultural branch where industrial systems and techniques have the broadest and most diversified applicability. Justly one may state that the level of the livestock industry largely mirrors the level of development of overall agriculture.

A long-standing pursuit in the life of the Romanian people, animal husbandry has been experiencing radical changes after the completion of agricultural cooperativization. Socialist large-scale agricultural production has created favorable conditions for development of a livestock industry based on latest scientific and technological advances. Our state has focused on expanding and modernizing the technical and material base, increasing the areas designed for the production of fodder and setting advantageous prices for the principal animal products. Under

the prior five-year plan the livestock industry received more than 42 million lei for construction of new production facilities, modernization of existing farms, upgrading of pastureland, outfitting and expansion of factories and laboratories for the production of biostimulants and medical drugs, and for promoting research. Moreover, under the new regulations on contracting and procurement of animals, fowls and livestock products, the breeders are vigorously encouraged to increase the herds, outputs and deliveries to the state fund, because an average increase is ensured in the delivery price, more than 30% for meat and 35% for milk, versus the previous prices. The animal raisers -- including state and cooperativized units and the overall peasantry -- will thus receive more than 25 billion lei versus the prices in 1981 -- of course in the context of achieving the production planned for this year. This rise was required to cover the materials expenditures and operating costs in agriculture but also to enhance material incentives for the farmers. Furthermore, a vigorous incentive for cooperative members involves the new system of remuneration for work in agricultural cooperative units. On this basis, the incomes of cooperative members and the overall peasantry will go up, in the context of achieving the production planned for 1982, about 25%.

The decision of the joint work session of the Central Committee of the Romanian Communist Party and the Supreme Council for Economic and Social Development on the resetting and correlation on economic principles of prices for farm products and rise in retail prices for farm foodstuffs, increase in the remuneration of the work force, in the state allowance for children and pensions necessitates firm measures to upgrade all economic activity, to enhance economic efficiency in all the economic branches. In agriculture, and specifically in the livestock industry, firm action must be taken to boost the production of meat, milk, eggs and other products, to cut down costs and increase efficiency in every agricultural unit.

The organization of fodder production in each animal raising agricultural unit is the decisive factor of the development of the livestock industry. It is clear that livestock production cannot be conceived without ensuring the feed output that corresponds to physiological needs and the requirements for protection of the health of the production and breeding stock. Accounting for 60-85% of operating costs, feed becomes the chief ingredient of the economic efficiency of every livestock product.

A current trend which is increasingly manifesting itself on a world scale, also mirrored in a number of agricultural units in this country, involves the reappraisal of animal raising and fattening methods, which, actually, is tantamount to a veritable revolutionizing of feeding technology. The essential factor involves a significant drop in the amount of grain, that is of concentrated fodder, in feed rations, with the main emphasis on conventional succulent fodder, such as ensilaged corn cob in the milk-wax stage, potato, lucerne, alfalfa, beet, carrot, and so on. This modification is by no means accidental. The stepping up of livestock production necessitates greater and greater amounts of concentrated feed, that is grain, but grain production has been experiencing greater and greater difficulties in coping with the needs of intensive animal raising. Therefore there is the need for switching to a new animal feeding technology, that ensures grain saving concurrently with greater efficiency.

Proceeding from these considerations, from traditional approaches and experience in some areas in Romania, Nicolae Ceausescu, at the work conference at the CC of the RCP held in January 1982, pointed out the need for revolutionizing the livestock industry, assuring the integration of new feeding, raising and fattening techniques.

The change in the overall concept on production, storage and utilization of feed in the context of high efficiency is all the more necessary because the feeding system used so far did not take account of full capitalization on the specific conditions and traditions in agriculture in all Romanian regions. The approach involved excessive use of concentrated fodder, with technical methods that involve high energy and manpower consumption rates, and this seriously affected efficiency in the livestock industry. As a result of this situation, also worsened by the low corn outputs obtained in recent years, large gaps developed in meeting the fodder needs, with adverse effects on productions and the animals' health condition, which required great efforts in terms of foreign currency from the national economy. Moreover, deficiencies occurred as a result of little concern of specialists, machine operators, other workers and cooperative members for harvesting, storage, averting loss, waste and deterioration of fodder. Unsatisfactory firmness in the action of agricultural bodies, including the ministry, facilitated the approach of letting things move at their own pace. That is why even where there was a good experience, the feeding methods involved were abandoned and new systems were adopted which resulted not in reducing but in increasing consumption rates.

The new concept of ensuring and cost-effective utilization of fodder focuses on fully meeting the feed needs from internal resources, highly efficiently utilizing the areas destined for fodder production and growing crops with maximum per hectare nutritional value, in the context of reducing energy consumption rates. It must be emphasized that this approach also is reflected in current concerns of countries with an advanced agriculture, because it is considered as a basic concept in the future for meeting the feed needs on a high efficiency level.

The basic factor for the new animal feeding standards involves using ensilaged corn cob, that can assure high productions in all the country's zones with highly productive late hybrids. Furthermore, used for fodder will also be the other highly productive crops such as potato, squash, beet, turnips, melons, lucerne, alfalfa and others, which will be chief resources in feeding stock and will be supplemented with reduced amounts of combined fodder.

The use of ensilaged corn cob in the feed for hogs ensures drops in losses in harvesting, storage and utilization. Ensilaged corn cobs ensure superior storage and result in avoidance of spoilage from mold. In the last 2-3 years, because of the corn's not reaching maturity, there were very many cases of mortality in junior hogs and disruptions in the breeding process for this species. The new approach presents the advantage of ensuring storage of corn under proper conditions, without requiring drying with fuel consumption. Moreover, use of this approach enables the utilization of cobs for ensilaging in a stage when they have the adequate moisture level for ensilaging and a nutritional value which is close to that of mediocre hay.

A special advantage offered by the new approach on feeding stock involves the fact that it permits the obtaining of a higher feed output per unit of surface by broader cultivation of more productive late hybrids, without the need for their reaching

full maturity at harvesting. Consequently, the harvesting of cobs for ensilaging permits commencement of corn picking at least 15-20 days earlier and this has a very positive impact on conducting fall plowing under proper pedoclimatic conditions.

The unilateral handling of the fodder base is also mirrored in the fact that use was not made in practice of the best possible methods for providing the required amounts of feed. Every year, under the production plans provisions were made for corn growing in the counties of Suceava, Covasna, Harghita, Maramures, Brasov, and Sibiu where low yields are obtained, of only 1200-1600 kg kernel per hectare. Insufficient attention was given to the fact that in these areas however, farmers almost constantly obtain average per hectare productions of 20 tons of potatoes, which is tantamount to the production of 7 tons of corn kernels per hectare. Economic wisdom dictates that these regions grow potatoes. Growing of corn permits raising 3-4 hogs per hectare while growing of potatoes permits raising more than 21 hogs. That is why, in light of the new stock feeding standards, the utilization of potatoes and other succulents in hog raising and feeding will be extended.

Use of these two hog feeding procedures -- with ensilaged corn cob and potatoes -- while providing for the utilization of about 120 kg special combined fodder, results in the signifcant reduction of concentrated fodder consumption. For instance, in the hog sector, according to the new feeding standards, with about 1.6 million tons of concentrated feed annually it is possible to ensure the feeding of all the stock. To this is added coarse fodder which is included in standards everywhere. Another factor in reducing consumption rates in terms of concentrated fodder involves also using other kinds of feed in hogs' food.

The introduction of the new feeding standards can result in an efficient course in the livestock industry to the extent that adequate conditions are created. These conditions include optimalization of areas under feed crops, preparation of spaces and facilities for processing and ensilaging fodder, good use of pastureland, increase in per hectare feed output, and so forth.

Conditions are being created to ensure the significant rise in production, with this being the essential requisite for successful implementation of the new feeding provisions. It is important to introduce a new approach and spirit in agriculture, because only in this way it is possible to take action to meet needs and do away with the negative situations which are still found. For instance, in a number of agricultural units, the area assigned to animal raising farms for fodder production is of lowest quality and, as a rule, involves scattered sections. In some agricultural units there is no constant concern for livestock farms to be provided with the manpower, facilities and machines that are required for proper organization of the production process. The existing work force is predominantly assigned to plant and vegetable farms and operations in the fodder crop sector very often are performed only if there is time left. In many agricultural units, the managing body, instead of concerning themselves with organization of fodder production in local farms are turning toward obtaining allotments from a central agency.

The fact that so far the livestock industry has not had a fodder production which is adequate qualitatively and quantitatively is also largely due to the shortage of valuable seeds of fodder plants. Consequently, the greatest proportion in the pattern of fodder crops involved annual plants that were fit for late sowing and did not require special efforts as to procurement of the seed needed. Conversely,

in most agricultural units, perennial legume crops accounted for an inadmissibly low proportion. Of course, responsible for this situation is also the network of experimental stations, which did not ensure production of a wide range of valuable seeds. But no lesser is the responsibility of agricultural units which, instead of concerning themselves with organizing on their own farms the production of the entire range of fodder crops needed, were asking for allotments from the county or from a central agency.

Basic is better correlation between existing animal herds, their biological potential and fodder production. The fact that this correlation was neglected has in many units created a somehow paradoxical situation. While the number of animals has increased each year, the area destined for fodder crops has decreased or at most remained the same, and the average per hectare productions remained almost identical. To do away with this state of affairs it is necessary, in light of specific conditions and by ably using positive tradition and experience, to focus attention on increasing production on the areas destined for fodder production. In this context, of outstanding importance is organization of production and sensible use of fodder resources. The new approach involves maximal use of bulk fodder and reducing the consumption of concentrated fodder, which will be included in animal feed only to optimalize the rations. This is of great significance in raising the efficiency of livestock production.

As is known, failure to ensure bulk fodder quantitatively and qualitatively resulted, in many socialist agricultural units, especially in state agricultural enterprises, in excessive consumption rates for concentrated feed in the food of ruminants, a procedure which is inadequate under economic conditions in this country. The results of research on treating straw with sodium hydroxide attests a 29% rise in nutritional value versus nontreated straw. We point out that in the case of treating straw with sodium hydroxide by adding 20 kg fodder urea to the ton of straw we can obtain an increase of up to 25 g/kg in the protein level.

The implementation of the measures for improvement in the production and utilization of fodder involves significant changes in the production plans of agricultural units, for the purpose of obtaining optimal patterns for all crops, so that the reduction in concentrate consumption be permanently coupled with full provision of the needed amount of top quality bulk fodder. In the same context, of special importance is ensuring top quality fodder that permits minimizing relative consumption rates per unit of product and integration into the new consumption standards. Moreover, it is appropriate to also use other inexpensive fodder resources, such as rejects from various industries, cooking waste and the like, which can provide major sources of feed for some species and categories of animals.

The quantitative rise in the fodder production and the increase in nutritional values per unit of surface necessitate the upgrading of the pattern of fodder crops. In the first place it is necessary to expand the areas under lucerne and alfalfa, intended for green fodder and also for the production of vitamined hay and granules.

The 4.4 million ha of natural meadows provide an important source for ensuring the necessary amount of feed for animals. Lack of some measures designed to put to good use the entire productive potential of these meadows, failure to ensure the chemical fertilizer and machines needed for development operations resulted in large areas of

pastureland and hayfields having too little input into the country's fodder fund. Each agricultural unit that benefitted from the pasturelands ought to be a factor in the performance of operations for upgrading and wise utilization: fertilization of lands, clearing of brush, combating of erosion, development for systematic grazing, irrigation, and so forth.

Bringing fodder production to the level of requirements involved in the development of the livestock industry is inextricably linked and largely generated by greater mechanization and chemicalization. In a modern livestock industry, fodder production involves ample mechanization and chemicalization which permit the use of latest procedures allowing for the substantial, in many cases even total, replacement of manual labor and obtaining of greater quantities of high quality feed.

What we have so far achieved in this area still is too little. Industry has failed to attain one of the chief objectives set by the party in the area of agricultural mechanization, namely production of the required number of farm machines for performance of operations on fodder crops. Therefore, used on fodder crops are machines for grain crops. As is known, mowing of green fodder coincides with the hoeing of corn or harvesting of wheat, and ensilaging overlaps picking and transportation of corn. Consequently, agricultural units are compelled to perform operations on fodder crops as machines for grain crops are released, and this causes to miss the optimal period. But in the area of fodder production, also, where enormous amounts of feed that need to be picked, conveyed, stored, preserved and processed are handled, delays in operations lead to decline in the quality of fodder and, in some cases, to its complete deterioration.

Acceleration of the rate of mechanization and chemicalization in fodder production will have most favorable results for the development and modernization of the livestock industry and will create broad and genuine prospects for quantitative and qualitative rises in fodder, its diversification and reduction of costs per unit of product.

More rapid intensification of production in the livestock industry is largely generated by the wide-scale use of modern procedures for animal raising and utilization. Therefore it is necessary to step up the rate of adapting the hog fattening and breeding units, the cattle farms, the winter stables, and the poultry farms and fattening units to the requirements of sensible feeding. In this context, there will be a reconsideration of the entire system of animal watering so that everywhere the problem of water may be fully resolved.

In spite of the good results obtained in improving breeds deficiencies continue to be found which cause the level attained to fail to meet the conditions created and the existing requirements. The lack of a uniform concept on the approaches to and methods for improving breeds resulted in the importation of breeds that did not yield the results anticipated in terms of pure breeding or of utilization to improve domestic breeds. For instance, 10-15 years ago, for absorption-based improvement of cattle from the red breed occurring in this country, four types from the red breed were imported, and for the improvement of sheep breeds, several types from the merino breed. These steps were taken to the detriment of the breeds or populations of animals existing in this country, which have proved to be sufficiently adapted and capable of ensuring high productions if they are raised under sensible conditions and if permanent and well-directed selection is applied.

Another negative factor involved the utilization in breeding, especially by artificial insemination, of a large number of male breeders that were not verified as to transmission of superior production features to offsprings. Today, in all countries with a developed livestock industry, one cannot conceive a rise in livestock production without sure knowledge of the value of a breeder, because, by the very biology of domestic animal species, the male is the decisive factor in terms of the quality of future generations by the great number of offsprings he can breed during his lifetime.

Rational and intensive utilization of space in livestock farms and complexes is a primary requirement for higher outputs and greater profits. Experience demonstrates that in fattening hogs from 30 to 110 kg on the same space it is possible to fatten two and a half hogs a year. For young pigs, on the same space it is possible to breed at least three and a half and even four sets a year. For poultry it is possible to breed on the same area at least five sets a year. This really means a higher level of efficiency, a level that can be attained everywhere provided special emphasis is placed on organization of production, technological order and discipline.

The obtaining of a maximum livestock production in the areas built also involves slaughtering the animals at a maximum weight. Firm implementation of this principle will result in elimination of procedures involving slaughtering of animals at a weight that is below the optimal cost-effective level, which impacts on the rise in the volume of meat and on efficiency.

The increase in the level of technology and organization in the livestock industry is a very topical requirement, for whose materialization actual conditions exist. But results will not develop by themselves. There is the need for an intensive activity conducted concurrently in all the departments that are decisive factors in the fate of production of the livestock industry, for order and discipline, for spirit of responsibility and proficiency in decision making.

11710
CSO: 2700

BIROVLJEV DISCUSSES 1981 ECONOMIC DATA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Mar 82 p 1

[Article, author not given: "Increased Growth Helped by Prices; Last Year's Economic Performance According to Annual Financial Reports"]

[Text] At a press conference, Milorad Birovljev, head of the Public Auditing Service, reported on last year's economic performance. Some of the more important results were the increase in net income lagging behind increases in business expenses and gross earnings; economic forces again allowed to function administratively to distribute net income; loan payment defaults rising by 55 percent.

[Belgrade, 24 Mar] Despite inflation, the economy grew noticeably last year in gross earnings and net income. According to annual financial reports, gross earnings grew by 43 percent and net income, 38 percent. These data and other information were disclosed at a press conference held by Milorad Birovljev, head of the Public Auditing Service. These results were achieved with a 3 percent increase in the volume of material production (excluding agricultural production, which, according to incomplete data, grew by only 1 percent), a 4 percent rise in industrial production and a 2.7 percent increase in employment.

Although still modest, income from the sale of goods and services abroad increased rapidly last year; this helped reduce the balance of payments deficit. Of course, the domestic sale of goods and services is still the dominant source of earnings. The more intensive growth in earnings from communal income and revenues based on associated labor and resources in the structure of gross earnings is encouraging, according to Birovljev's evaluations, although their share in the total economy is still only 9.9 percent.

A Drag on Net Income

Both inflation, or the large increase in prices on both the domestic and foreign market, and the international currency exchange rates, influenced the rise in business expenses. Expenses increased by 44 percent last year, with the greatest increase in energy consumption and the purchase of raw materials and other necessities. Those expenses in areas where consumption has been restricted grew at a somewhat slower rate; for example, expenses for business trips, presentations, advertising, royalties. Among these expenses, expenditures for travel abroad increased most rapidly.

Net income increased by 38 percent last year although gross earnings were up 43 percent. This large difference in the two growth rates is primarily the result of a 46 percent increase in business expenses. The economy's participation in distributed income remained at approximately the same level as in 1980. The economy had a 63.3 percent share last year (compared with 64.2 percent the year before), and other participants in this distribution had a 36.7 percent share (compared with 35.8 percent the year before).

According to annual financial reports, in the economic distribution for participants outside the Basic Organizations of Associated Labor the highest percentage of funds--46 percent--was set aside for communal needs, while 42 percent was given for the so-called miscellaneous expenditures. In addition, there was a 16 percent increase in funds set aside for general public needs. The large amount set aside for communal needs is to some extent the result of changes in the accounting system but primarily the result of the excessive growth in this form of consumption. With miscellaneous expenditures, interest expenses were the most significant costs, as they were last year, with an increase of 46 percent.

The amount set aside for general public needs although increasing at the relatively low rate of 16 percent, still exceeded the limit anticipated by the resolution by 19 percent. Actually, this relatively low level of expenditure from earnings is primarily the result of this consumption being funded through excise taxes and other sources besides earnings. All things considered, these data concerning expenditures of earnings attest to the fact that the provisions in the resolution concerning the strengthening of the material base of associated labor have not been carried out.

As in the preceding 2 years, economic forces were allowed to dictate the distribution of net income. Expenditures for capital accumulation and reserves (index 154) grew the fastest, while outlays for net personal income and for worker's communal consumption (index 130) grew at a slower rate. The stagnation of communal consumption is illusory, warned Birovljev, because according to new regulations expenditures for providing meals for workers are considered a part of business expenses, and the contribution to common housing construction is taken from net income instead of communal consumption.

According to the annual financial reports, the average wage last year was 9,847 dinars, a nominal 35 percent increase over the previous year. Since the cost of living went up 41 percent, the real value of the wages diminished. One can really say that real personal income fell approximately 4 percent, which is less of a decline than in 1980, when real personal income fell by 6 percent.

Increase in Loan Defaults

The economy had its share of losses last year. According to the annual financial reports, losses of approximately 30 billion dinars were recorded, 44 percent more than the previous year. These losses would have been 15 billion dinars greater if the oil industry had not been able to extend its losses into this and the following year. Besides this, losses were incurred by only about 5.5 percent of the basic organizations employing 6.6 percent of all workers

employed in the economy; this is less than in the previous year. The greatest losses were in the transportation, construction and agricultural industries. In the process of drawing up the annual reports, 20 percent of the losses had already been covered, more than half by means not requiring repayment.

Much data in the annual reports indicate that liquidity in the economy worsened last year. One consequence was an increase in loan defaults by 55 percent. There are many reasons for this; we will mention only one in particular. The economy puts a significant portion of its working capital into the import and stockpiling of raw materials and other materials needed by industry, as well as for investment purposes. This results in a lack of monetary resources for meeting loan obligations and an increase in debtor-creditor relations in the economy.

Thus, some decisions from last year's resolution have been implemented in some very important areas, such as in the growth of the physical volume of production, a quite perceptible increase in the number of exports along with a noticeable reduction in imports and a real reduction in the volume of investment. The results are clouded by inflation, the large increase in prices, and the public and communal level of consumption, which is too high to permit a strengthening of the material base of associated labor.

9548
CSO: 2800

PROPOSALS FOR NEW PENSION LAW DISCUSSED

Zagreb VJESNIK in Serbo-Croatian 17 Apr 82 SEDAM DANA supplement p 8

[Article by Ranka Adum-Cicak: "On Dry Bread"]

[Text] It is true that 4,000 billion dinars, the amount it will take to adjust pensions, are a heavy burden on associated labor, but how are people to live who with the money of their pension can buy only 3 kg of bread per day?

Recently a resigned pensioner said in a meeting of the Council of the Federation of Yugoslav Trade Unions: "For Lord's sake, people, for whom are you preparing the law on old-age and disability insurance? You are preparing it for yourselves. You will also retire." Representatives of the younger generation, however, say that they cannot accept a law which burdens associated labor with new obligations.

We have tried to learn how much it would cost to adjust pensions to personal incomes (as foreseen by the proposed version of the law on basic old-age and disability insurance rights). This is no small amount of money. According to calculations of Habo Cehajic (Federation of Yugoslav Pensioners), 4,000 billion dinars would be needed.

The pensioners have precisely calculated and put on paper all the troubles they have to swallow under the present pension system. In collaboration with the Council of Yugoslav Trade Unions the Federal Council of Yugoslav Pensioners has just completed an expensive analysis of the social and economic status of 1.7 million Yugoslav pensioners. The analysis shows that the average pension (including the welfare supplement) last year was 56.5 percent of the average personal income of employed persons. For 60 percent of all the pensioners (and that means 1 million people) the pension benefit is smaller than 4,500 dinars. Not to mention those who are still poorer, whose pension is below 2,500 dinars (in SR [Socialist Republic] Macedonia there are 18,070 of them, in Croatia 18,888, in Slovenia 2,463, in Belgrade [SR Serbia is presumably meant] 32,567, in Montenegro 1,282 and in Bosnia-Hercegovina 15,402). With that kind of money in their pockets these pensioners can buy 3 kg of bread per day, but what they have left is not enough to buy even 1 liter of milk, much less meet their other daily needs (not to mention rent, electricity, water and other overhead expenses).

Lazar Zaric, a member of the Presidium of the Council of the Federation of Yugoslav Trade Unions, has calculated that the standard of living of these people has been dropping steeply for other reasons as well: "The elderly are also feeble, so they cannot earn additional money as they were able to do in their younger days. It is still worse for those who live in the large cities, so they do not even have a garden, and their pension is their only source of income. When they left associated labor, they also lost their discount on vacations, hot meals, travel pass.

The differences in the standard of living of pensioners are incomprehensibly large from republic to republic. And the pensioners say that there are no specific republic features to justify them. We asked people in the Federation of Pensioners how this came about.

Here are the reasons: Toward the end of 1980 the cost of living was eliminated as a criterion for pension adjustment. The law established the obligation of adjustment to the movement of nominal personal incomes of workers in the area of the particular old-age insurance community. However, in five communities (Slovenia, Bosnia-Hercegovina, Macedonia, Serbia and Vojvodina) the previous arrangement was retained of not adjusting at the beginning of the calendar year those pensions for which the previous year was the last year of insurance in which the personal income was taken as part of the basis of the pension. In three communities (Croatia, Montenegro and Kosovo) they do adjust at the beginning of the calendar year even those pensions determined from a pension base including personal incomes for less than 12 months of the past year, so that they are adjusted in what are called twelfths. How does this look in practice? Like this: A worker who has retired in Croatia, Montenegro and Kosovo on 1 July 1981 will receive as of 1 January 1982 a regular pension increase in the amount of six-twelfths, while the worker who has retired in Slovenia, Bosnia-Hercegovina, Macedonia, Serbia or Vojvodina must wait until 1 January 1983 for that regular pension adjustment. And those first pensioners enter 1983 with their pension already increased, while the others enter it with the pension they received as of 1 July 1981. The pensioners have calculated that the differences amount even to as much as 2,000 dinars for pensioners in the same category!

Under the new law current adjustment of pensions in all republics (which is only fair) would increase expenditures of old-age and disability insurance by 13.04 percent (according to an estimate made 2 years ago). This would put a burden of another 1.4 percent or so on the personal incomes of employed persons.

But what awaits us who are still working on the road to our pensions and after we retire! There have been many debates about enacting a new law or supplementing the present one. After 6 years of preparation, now that we have received the proposed version of the law (it is expected to go before the Federal Assembly in April), it is clear that we are dealing neither with a new pension system nor with a new law. This is a law which improved the old arrangements and the status of pensioners. However much it costs those who are not retired now, in other words, the new law will be favorable for them when they do retire.

How will we qualify for retirement?

Somewhat easier under the new law, and also under more favorable conditions than now. We can qualify for an old-age pension at age 65 (55 for women) with 20 years of pensionable service. Those who do not have 20 years of pensionable service but have reached age 65 (60 for women) can also retire if they have worked at least 15 years.

The third possibility of qualifying for an old-age pension altogether ignores age (it is also of interest to some people) provided people have worked 40 years (35 for women).

It will also be possible to retire early, but there are corresponding deductions until such time as the early retiree reaches pensionable age.

The pension benefit will also be better for future retirees. It will depend on the monthly average personal income which the insured earned in any 10 years when he was insured (those most favorable for him). In this estimate personal incomes from previous years will be evaluated according to the trend of the average personal incomes of all persons employed within the republic. Still another pleasant piece of news for those who are already retired, but are not satisfied with their benefits. They will have the right to have their pension recomputed under the new law.

Spouses, legitimate, illegitimate and adopted children, and also parents (father, mother, stepfather, stepmother), as well as spouses divorced before death (if a court has established their right to support) may qualify for a survivor's pension. If the insured died of an occupational disease or work injury, his heirs are entitled to a pension regardless of the length of his pensionable service.

The new law has disturbed those receiving disability benefits because of work injuries. After all, it provides that the workers' respective OUR [organization of associated labor] is to care for them. The disabled fear that this concern will vary and will depend on the condition of the OUR, and those from poorer OUR's will have to tighten their belt.

However, Miodrag Zecevic of the commission for drafting the bill is convinced that the rights of disabled persons are not threatened: "In cases when the OOUR [basic organization of associated labor] cannot care for the disabled person, he is transferred to the care of the SOUR [complex organization of associated labor]. If the SOUR is also impoverished, then he is transferred to the SIZ [self-managing community of interest]. In any case the concern is not diminished. We have merely tightened the criteria for evaluating disability. It will no longer be possible for people who are not disabled to qualify as such. Impaired ability to work does not mean that a man cannot work in some other job and must immediately have a disability pension.

In the public debate there were a great many criticisms of the draft, as well as of the proposed version of the law. Nevertheless, the workers say that they did not participate sufficiently in the debate. That is why the trade

union cleared the proposed version only with several amendments and will propose that the public discussion of the bill continue until autumn, even if the law is enacted. How worthwhile that will be remains to be seen.

The pensioners are not [sic] in a hurry. One can understand this. Habo Cehajic concludes: We are anxious to have the law adopted, there are many facts which account for that. First, workers will not retire today because they are afraid of a poorer life. Second, let us not postpone adjustment of pensions, since if we do not do this immediately at these prices, tomorrow it will be more expensive!

7045
CSO: 2800/373

NETHERLANDS FINANCES FACTORIES FOR RETURNEES

Zagreb VJESNIK in Serbo-Croatian 4 Apr 82 pp 4, 5

[Article by Salih Zvizdic: "More Money Than Good Projects"]

[Text] The director of the Center for Research on Migration in Zagreb, Dr Ivo Baucic, stressed the example of The Netherlands, which, of all the European countries in which our 690,000 workers are employed, shows the greatest willingness to provide organized financial assistance to workers who are returning to the countries from which they came to The Netherlands for temporary work.

This is primarily credits for opening industrial operations and factories in which these workers would be employed, but also includes separate assistance to individuals to enable them to create the conditions for material existence in their homelands.

The Dutch FMO

Of the total number of Yugoslav workers employed in the developed countries of Europe, 10,500 workers, or 1.5 percent, are employed in The Netherlands (which has 14 million inhabitants, with an area of 33,397 square kilometers). This country of worthy people has demonstrated its willingness to contribute, at least symbolically, to the general economic development of the countries from which it has accepted foreign workers; it has demonstrated this in regard to our country by providing special nonreturnable funds for the construction of economic installations in the undeveloped areas of our country. In addition to this, it is also providing very favorable credits for constructing industrial installations and increasing employment in such regions, which are as a rule areas noted for migration.

The Dutch Financial Society for the developing Countries (FMO), which has its headquarters in The Hague, is cooperating closely with a new Yugoslav institution with a long name, which was founded in 1978 and began to operate in 1980--the Fund for Financing Increased Employment in the Economically Underdeveloped Areas of the SFRY Noted for Migration, which is called the Employment Fund for short. Klime Corbe is the director of this fund, which is headquartered in Belgrade and is part of the Fund for the Development of the Underdeveloped Republics and Kosovo.

We should also note that the Employment Fund also cooperates closely with the Zagreb Center for Research on Migration.

In cooperation with the above-mentioned Yugoslav fund, which operates as a "nonprofit organization," the Dutch FMO is providing more and more credits under very favorable conditions, or entering into joint investments with our firms in the construction of complete factories or installations in the underdeveloped areas of our country, commercial and technical cooperation, assistance in accordance with the system of providing "know-how," and so forth.

Assistance to Individuals

Since 1974, however, there has been a special institution in The Netherlands for assisting individual foreign workers in being economically reintegrated in the countries from which they came. A separate organization, International Migration and Development Cooperation (IMOS), was formed for this purpose, and its assistance program has included workers from Spain, Portugal, Tunisia, Morocco, Turkey and Yugoslavia. IMOS gives the returning worker an amount consisting of about 30 percent in nonreturnable funds and 70 percent in the form of very favorable credits, for the purpose of establishing production or service businesses in their countries of origin.

Of the 45 applications submitted to IMOS by our workers by the end of 1980, 21 were rejected, 6 were accepted, and 18 are under consideration. This assistance would probably be much more effective if the projects offered to IMOS were more complete, i.e., if their proposers had all of the necessary information about the development possibilities within a region or commune.

Considerable assistance to these returnees can be offered in regard to this by communal services, or the development services of firms in the undeveloped regions. It is logical that the competent service of the Dutch embassy in our country should want to know the justification for every worker's request for investments with the assistance of IMOS.

Struga and Rozaj

From the standpoint of greater effectiveness, the assistance from FMO is naturally more useful than that of IMOS, because more installations and a larger number of employees are involved. Furthermore, such cooperation does not just assist the Yugoslav policy for the return and reintegration of migrants; such a reciprocity of relations is also clearly economic cooperation that is useful to both countries.

In 1978, the Netherlands allocated nonreturnable funds in the amount of 6 million guilders (about $2.3 million) for the construction of two industrial installations in Yugoslavia: A factory for enameled dishes in Struga (Macedonia) and a factory for decorative paper in Rozaj (Montenegro). The factories have already been completed. The one in Struga, where work has just been carried out on an annex to the existing installation, has employed 103 workers, and the one in Rozaj has employed 80 new workers.

Of course, these foreign funds were only part of the value of the total investments (the total value of the investment in Strugaj is about 120 million dinars, and in Rozaj, about 115 million dinars), because the rest of the funds have been provided by the Federal Fund for the Development of the Underdeveloped Republics and Kosovo. Unfortunately, the period required for the construction of these factories was considerably longer than planned, and this has created several material and other difficulties for them in their operation.

Later on, the method of offering nonreturnable assistance was replaced by the very favorable credits given by FMO (interest rates of 5-8 percent, a postponement of repayment until 3 years after the installation begins operations, and a period for repayment of the credit of up to 15 years) for the construction of six more installations in Yugoslavia.

The cooperation between the Employment Fund of Belgrade and the FMO takes place as follows: The fund gathers projects from the republics and provinces and offers them to the FMO, which then accepts or rejects them. In addition to The Netherlands, some other countries are showing interest in these projects. Bogoljub Pejcic, a counselor at the fund, says that it is sometimes harder for them to find projects than to find the money from abroad to carry out those projects. Of course, he was referring to good projects, because it is better not to build anything than to create economic invalids.

Six New Factories

The final stage has been reached in the signing of a contract between the fund and the FMO on building a factory for special sanitary devices (from quartz sand) in Liplijan (in Kosovo). The value of the investment is 116 million dinars, and the FMO approved a very favorable credit in the amount of $1,6 million. The rest of the funds are from the Federal Fund for the Development of the Underdeveloped Areas. A total of 75 new jobs will be created.

Representatives of the FMO recently visited Zablje (in Vojvodina) for negotiations on providing a credit of $1,4 million for the construction of a tool factory machining shop for the Majevic Tool Factory in Backa Palanka. The total value of this investment is $140 million (because the rest of the funds are being provided by the Province's Fund for the Underdeveloped Areas). It will employ 165 new workers.

With a very favorable credit from the FMO, Sever from Subotica will build a factory for stable ventilation devices in Srpska Crnja (in Vojvodina). Negotiations on a credit of about $2 million are in the final stages, and the estimated value of the total investment is about 100 million dinars. The factory will employ 750 workers.

The construction of an additional section at the existing factory for children's clothing in Prnjavor (in Bosnia-Hercegovina) is in the final stage; it will employ 132 new workers. It is expected that negotiations with the FMO on a foreign credit for this factory will soon be concluded successfully. The total value of the investment is 167 million dinars.

Because of a delay in drawing up the project from Djuro Djakovic in Slavonski Brod, negotiations with the FMO have just begun now on a foreign credit of $2 million for the construction of a factory for valves and accessories in Imotski (in Croatia).

The estimated total value of the installation is 300 million dinars. There will be 150 new jobs.

One of two projects offered will be constructed in Slovenia with the aid of an FMO credit of about $2.5 million: Either a factory for plumbing equipment in Stari Trg, or a factory for processing fruit and vegetables within the framework of Pomurka in Murska Subota. There will be 132 new workers employed. The value of the investment is about 250 million dinars.

In other words, The Netherlands has so far given $2.3 million in nonreturnable funds for the factories in Struga and Rozaj, in which 183 new workers have been employed, primarily people returning from temporary work abroad. In addition to this, credits have been set aside, or negotiations on them are being concluded, for the amount of about $20 million. About 1,500 workers will be employed in these installations and in installations associated with them.

The communes and working people from the underdeveloped areas in which factories have been built or will be built with the assistance of The Netherlands have expressed their gratitude to the government of The Netherlands for its sympathy for their employment difficulties.

And the Other Countries?

The successful cooperation between The Netherlands and Yugoslavia should have encouraged similar cooperation with Yugoslavia by the other countries in which Yugoslav workers are temporarily employed, according to Klime Corbe.

How are things going in this regard with the other countries in which our workers are working?

France has promised credits for three industrial installations in the area of Serbia. All of them, however, are for the time being in the negotiating stage.

Denmark has agreed to provide $7 million for financing the construction of a factory for rubber mine tracks in Kalesija (in Bosnia-Hercegovina), where 312 workers would be employed. The negotiations are in progress. There have also been other similar initiatives from this country, in which about 5,000 of our workers are employed.

Negotiations are going well with Sweden (24,000 employed), where our workers have provided the initiative for building a factory for special rubber products in Bitolj, for the most part with their own funds.

Unfortunately, Austria and Switzerland so far have shown very little sympathy for joint actions regarding the reintegration of migrants, although 130,000 of our workers are working in Austria, and 30,000 in Switzerland. The situation with Belgium is the same.

In this regard, Yugoslavia has been most surprised by the relatively neutral position of West Germany, where 58 percent of the total number of Yugoslav workers employed in Western Europe are working (401,000). There are still no real initiatives in this country, with which we maintain very good interstate relations, to support with credits, or in any other way, the construction of new installations in which migrant workers and other unemployed people could find work. To tell the truth, the DEG [German Development Company] and BMA [Federal Ministry of Labor and Social Welfare] organizations have recently shown particular interest in providing financial support for the reintegration of workers in our country, although no concrete agreements have been reached yet. According to certain German standards, our country is not among the underdeveloped ones, and this is a formal barrier to the success of a cooperation from which both countries would benefit.

Initiative

We should note, in conclusion, that an initiative has been taken to have the Employment Fund become a member of the European Fund for Reintegration. Negotiations on this are being conducted at the level of the two funds. If they are concluded successfully, then the credit line for Yugoslavia from the funds of the European Fund for Reintegration would amount to about $40 million per year. This, in addition to the domestic funds of the Fund for the Development of the Underdeveloped Republics and Kosovo, would make it possible to build about 15 small industrial installations and others each year for workers who are returning from temporary work abroad.

9909
CSO: 2800/355 END

END OF FICHE DATE FILMED

MAY 29-82